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SAN FRANCISCO HOUSING AUTHORITY

440 Turk Street • San Francisco CA • 94102 • (415) 554-1200

NOTICE

THE REGULARLY SCHEDULED MEETING OF THE
SAN FRANCISCO HOUSING AUTHORITY COMMISSION
WILL BE HELD ON THURSDAY, NOVEMBER 13, 2003 AT 4:00 P.M.
AT 440 TURK STREET, SAN FRANCISCO, CALIFORNIA, 94102

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AGENDA
November 13, 2003

DOCUMENTS DEPT.

DEC 18 2003

SAN FRANCISCO
PUBLIC LIBRARY

1. ROLL CALL

   Julie Lee, President
   George R. Brown, Vice President
   Sululagi Palega, Sr., Commissioner
   Betty J. Smith, Commissioner
   Andrew J. Clark, Commissioner
   Neola Gans, Commissioner
   Rev. George Woodruff, Commissioner

2. APPROVAL OF AGENDA

3. APPROVAL OF MINUTES

   - September 25, 2003 Annual Commission Meeting
   - October 23, 2003 Regular Commission Meeting

4. GENERAL COMMUNICATIONS

5. REPORT OF SECRETARY

6. COMMITTEE REPORTS

   Diversity Committee – Nothing to Report
   Finance Committee – Nothing to Report
   Personnel Committee – Nothing to Report

7. REPORT OF AGENCY COUNSEL

8. TENANT REPRESENTATIVE REPORT:

City Wide Council - Senior/Disabled
Public Housing Tenants Association (PHTA)

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

10. UNFINISHED BUSINESS

(A) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH SONOMARIN INC. FOR DOMESTIC HOT WATER HEATERS, STORAGE TANKS, ASSOCIATED EQUIPMENT, AND PIPE REPLACEMENT WORK AT CAL 1-1, HOLLY COURTS, IN AN AMOUNT NOT TO EXCEED $373,818.00

11. NEW BUSINESS

(A) RESOLUTION MAKING FINDINGS IN CONNECTION WITH ENVIRONMENTAL REVIEW; AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A DISPOSITION AND DEVELOPMENT AGREEMENT WITH MISSION HOUSING DEVELOPMENT CORPORATION (MHDC); AND AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE EVIDENTIARIES FOR THE HOPE VI REVITALIZATION OF THE VALENCIA GARDENS PUBLIC HOUSING SITE

(B) RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2003

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(C) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

(D) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE ORDER TO PAY THE HOUSING AUTHORITY RISK RETENTION GROUP FOR GENERAL LIABILITY DEDUCTIBLES FOR THE 2003-2004 POLICY YEAR IN AN AMOUNT NOT TO EXCEED $150,000.00

- ANNOUNCEMENT REGARDING THE SECOND MEETING IN NOVEMBER AND THE SECOND MEETING IN DECEMBER 2003

12. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

13. COMMISSIONER'S COMMENT AND REPORT

14. CLOSED SESSION

A Closed session is scheduled with the Executive Director and Agency Counsel under Government Code Section 54956.9 (b)(1) to discuss pending litigation under Government Code Section 54956.9(a) (Walker vs. SFHA, Evans vs. SFHA and USA vs. SFHA; case name unspecified to avoid jeopardizing existing settlement negotiations).

15. RECONVENING OF COMMISSION MEETING

16. ADJOURNMENT

GREGG FORTNER, Secretary/Executive Director

U-A

SAN FRANCISCO HOUSING AUTHORITY
440 Turk Street • San Francisco CA • 94112 • (415) 554-1200

DATE: October 9, 2003

TO: SAN FRANCISCO HOUSING AUTHORITY COMMISSIONERS

Julie Lee, President
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
George Woodruff, Commissioner

FROM: Gregg Fortner, Secretary/Executive Director

SUBJECT: **RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH SONOMARIN INC. FOR DOMESTIC HOT WATER HEATERS, STORAGE TANKS, ASSOCIATED EQUIPMENT, AND PIPES REPLACEMENT WORK AT CAL 1-1, HOLLY COURTS, IN AN AMOUNT NOT TO EXCEED $373,818**

OVERVIEW

This Resolution will authorize the Executive Director to enter into a contract with Sonomarin Inc. for the Domestic Hot Water Heaters, Storage Tanks, Associated Equipment, and Pipes Replacement work at CAL 1-1, Holly Courts, a family development.

Holly Courts was built in 1940 and consists of ten two-story buildings, and has 118 family dwelling units.

The Domestic Hot Water System is sixty-three years old, beyond repair, and in immediate need of replacement.

The Authority issued Solicitation No. 03-620-IFB-049 on August 11, 2003 following review and approval of the solicitation by the Finance and Procurement Departments.

PROCUREMENT

The procurement process for the action covered by this Resolution meets the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1, "Procurement

Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and the State of California and local laws.

The Housing Development & Modernization Department (HD&M) developed the Invitation for Bid Documents, Plans & Specifications based on master procurement documents furnished by the Authority's Procurement & Contracts Department and Construction Documents (Drawings and technical specifications) furnished by the Authority's Mechanical Engineering Services Consultant, Mechanical solutions. The documents were reviewed and approved by the Procurement & Contracts Department (P&C) prior to the start of the bid process.

The Authority advertised for bidders and outreached to potential bidders as follows:

Past Bidders List, Contractors Blue Book & Yellow Pages: The Authority e-mailed, faxed or mailed its Invitation for Bid advertisement to fifty-five (55) individual contractors from the Authority's Past Bidders List, the Contractors Blue Book and Telephone Directory Yellow Pages.

HRC: The Authority e-mailed, faxed or mailed its Invitation for Bid advertisement to twenty-four (24) MBE/WBE contractors listed by the San Francisco Human Rights Commission.

Labor Unions: The Authority mailed its Invitation for Bids Documents, Plans & Specifications to the San Francisco Buildings Trade Council.

Newspapers: The Authority publicly advertised its Invitation for Bid advertisement in the following newspapers:
Daily Pacific Builder, (trade publication)
San Francisco Bay View, (African American community)
Sing Tao Daily, (Asian American Community)

Additional Newspapers: The Authority e-mailed its Invitation for Bid advertisement to the San Francisco Board of Supervisors office who placed the advertisement in the following community newspapers:

- El Latino (Hispanic American community),
- El Reportero (Hispanic American community),
- Asian Week (Chinese American community),
- Chinese Times (Chinese American community),
- San Francisco Bay Times (Lesbian/Gay/Bi-sexual/Transgender community),
- San Francisco Spectrum (Lesbian/Gay/Bi-sexual/Transgender community).

Public Agency Websites: The Authority e-mailed its Invitation for Bid advertisement to the following agencies who placed the advertisement in their website bulletin boards:

- City and County of San Francisco (City Purchasing Department),
- California State Contracts Register (Office of Small Business Certification and Resources),
- Small Business Administration's PRO-Net (Office of Government Contracting & Minority Enterprise Development).
- U.S. Department of Commerce's BIDNET (Minority Business Development Agency)

Builders Exchanges: The Authority sent its Invitation for Bid Documents, Plans & Specifications to the following Builders Exchanges, where the documents are available to Contractors for review and bid preparation:

- Dodge Scan/Daily Pacific Builder,
- San Francisco Builders Exchange,
- Peninsula Builders Exchange,
- Builders Exchange of Alameda County,
- Santa Clara Builders Exchange,
- Contra Costa Builders Exchange,
- BV2HP Builders Exchange,
- MECA Builders Exchange (member base composed of small DBE, M/WBE firms),
- Marin Builders Exchange,
- Building Exchange of Stockton,
- Construction Data Plan Room,
- Solano-Napa Builders Exchange,
- Construction Market Data
- Sierra Contractors Exchange

Thirteen (13) potential bidders requested the Invitation for Bid Documents, Plans & Specifications that were issued by HD&M. The on-site bid walk was conducted by HD&M on August 27, 2003. In attendance were eight (8) contractors along with the Consultant, and Authority staff members.

BIDDER SELECTION PROCESS

The closing date for the solicitation was September 11, 2003 and the Authority received bids from three (3) responsive and responsible contractors. The bid documents were publicly opened and read aloud. The submittal documents were reviewed by HD&M and forwarded to P&C for review and approval, for submission to TARC and for approval to prepare this Resolution. The contractors' bids are as follows:

BID PROPOSALS:

Bidder	Bid Proposal	25% Resident Hiring	Contractor MBE/ WBE	Sub Contractors	MBE/WBE Sub Contractor % Of Total Job	Total MBE/WBE
Sonomarin Inc.	$373,818	Yes	No	Three	21%	21%
CDX Builders	$538,000	Yes	No	Five	68.8%	68.8%
Trico Construction	$608,565	Yes	No	Six	20.13%	20.13%

Per HUD-5369 Instructions to Bidders, the contract award is based on the lowest, responsive and

responsible bidder. Based on the above, the lowest, responsive and responsible bidder is Sonomarin Inc. They are pursuing one position for resident hiring.

Sonomarin's bid is 43% lower than the cost estimate. Upon request, Sonomarin Inc. reviewed their bid and informed Procurement that they stood by their bid. They are a small firm of two partners, and they do most of the work themselves. Their subcontractor work is only 21% of the total. Their submitted job cost breakdown was analyzed by the Authority's consultant and was found to be realistic and acceptable.

According to the reference checks on past projects performed by Sonomarin Inc., the firm is a responsible contractor with a good record. They have performed similar contracts for other public agencies and have a good history of minimizing contractor initiated change orders. A debarment check was made and shows that Sonomarin Inc. is not debarred from Federal Procurement and Non-Procurement work.

OBJECTIVES

The objective of the Resolution is to authorize the Executive Director to enter into a contract for the replacement and demolition of the existing domestic hot water heaters, storage tanks, associated equipment, and piping. The project consists generally of the replacement and demolition of the existing domestic hot water heaters, hot water storage tanks, pumps, accessories, control, vent, and pipes located in the heater rooms.
Work under this contract will generally include, but not be limited to, the following:

a. Site survey and verification of existing condition.

b. Replacement and demolition of the existing heating and domestic hot water heaters, pumps, accessories, control, and pipes.

c. Furnishing and installing all new equipment and accessories at ten locations.

d. Demolition and removal of the existing heating and domestic hot water boilers and pipes all in accordance with "SFHA Hazardous Materials Procedure", and

e. Provide domestic hot water to the residential units at all times during construction.

PRESENT SITUATION

Holly Courts is a San Francisco Housing Authority family development comprised of 10 two level residential buildings built in 1940. The 63-year-old domestic hot water heaters, storage tanks, associated equipment and piping have deteriorated beyond repair and need to be replaced immediately.

ANTICIPATED OUTCOMES

Replacement of the domestic hot water heaters, storage tanks, associated equipment, and piping will provide energy efficient, uninterrupted hot water to the residents. The Authority's maintenance department will be relieved of the constant calls for repairs and restoration of service

to the residents. Sonomarin Inc. will provide a two-year guarantee for materials and workmanship, in compliance with Authority standards.

WHO BENEFITS

Public housing residents will benefit from improved living conditions with no interruptions in hot water service. The energy efficiency of the new water heater system and the absence of maintenance calls will result in substantial operating savings to the Authority. The capital improvements will also benefit the Authority's real property assets and add to the longevity of the structures. The project will also provide employment for public housing residents under the resident hiring requirements. By hiring residents, Sonomarin Inc. is helping to create a pool of qualified residents for future work on similar Authority construction projects.

BUDGET CONSIDERATION

The Heating and Hot Water Boilers, and Piping Replacement is funded in the Year 2002 Capital Fund Program budgets. The low bid is 43% less than the independent cost estimate and budgeted amount.

RESIDENT HIRING

Sonomarin Inc. is committed to exceeding the 25 percent resident hiring goal on this job. The contractor estimates that it will take about 1600 hours to complete the project, of which a minimum 400 hours will be resident hire employment. One resident will be hired, and for the five-month duration of the project there will be 880 hours of resident hire, exceeding the 25% requirement by a wide margin.

MBE/WBE PARTICIPATION

Sonomarin is a small firm of two partners, and they do most of the work themselves. Sonomarin has achieved 21% MBE/WBE participation with its listed subcontractors and suppliers

RECOMMENDATION

Sonomarin Inc. has submitted the lowest, responsive and responsible bid. They are committed to providing 25% resident hiring at a minimum. Funding is available in the 2002 Capital Fund Programs. Because boilers and piping are in need of immediate replacement, the staff urges adoption of this Resolution authorizing the Executive Director to enter into a contract with Sonomarin Inc. for the Domestic Hot Water Heaters, and Pipes Replacement at CAL 1-1, Holly Courts in an amount not to exceed $373,818.

(Prepared by: Basil Nicolaou, Robert Dahlstrom and Barbara Smith)

RESOLUTION NO. 5133
ADOPTED 11/13/03

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH SONOMARIN INC. FOR DOMESTIC HOT WATER HEATERS, STORAGE TANKS, ASSOCIATED EQUIPMENT, AND PIPES REPLACEMENT WORK AT CAL 1-1, HOLLY COURTS, IN AN AMOUNT NOT TO EXCEED $373,818

WHEREAS, The San Francisco Housing Authority publicly advertised Solicitation No. 03-620-IFB-049 for Domestic Hot Water Heaters, Storage Tanks, and Pipes Replacement at CAL 1-1, Holly Courts, and

WHEREAS, Sonomarin Inc. submitted the lowest responsive and responsible bid of $373,818 to provide for the Domestic Hot Water Heaters, Storage Tanks, Associated Equipment, and Pipes Replacement at CAL 1-1, Holly Courts; and

WHEREAS, these services are necessary to protect the health and welfare of residents; and

WHEREAS, funding is available through the HUD 2002 Capital Fund Program; and

WHEREAS, the procurement process for those actions covered by this Resolution meet the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1, "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and State of California and local laws; and

WHEREAS, all additional relevant documents submitted by the low bidder have been reviewed and found to be in order; and

WHERAS, Sonomarin Inc. will meet the Resident Hiring requirements.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Executive Director is authorized to execute a contract with Sonomarin Inc., to provide for the Domestic Hot Water Heaters, Storage Tanks, Associated Equipment, and Pipes Replacement at CAL 1-1, Holly Courts in an amount Not-To-Exceed $373,818.

2. This Resolution shall take effect immediately.

APPROVED AT TO FORM AND LEGALITY: REVIEWED BY:

Donna Martin
DONNA MARTIN, General Counsel

Date: 10-03-02

GREGG FORTNER, Executive Director

Date: 10/3/2003

SAN FRANCISCO HOUSING AUTHORITY
440 TURK STREET • SAN FRANCISCO • CALIFORNIA • 94102 • (415) 554-1200

CERTIFICATE

I, Julie Lee, duly elected President of the Board of Commissioners of the Housing Authority of the City and County of San Francisco, do hereby certify that the following was adopted at the Regular Meeting of the Commission held on November 13, 2003:

RESOLUTION NO. 5133

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH SONOMARIN INC. FOR DOMESTIC HOT WATER HEATERS, STORAGE TANKS, ASSOCIATED EQUIPMENT, AND PIPE REPLACEMENT WORK AT CAL 1-1, HOLLY COURTS, IN AN AMOUNT NOT TO EXCEED $373,818.00

Attached is a true and correct copy of the Resolution as adopted at the said meeting, on file and on record as adopted by the following vote of the Members:

FOR ADOPTION:
Julie Lee
Betty J. Smith
Neola Gans
George Woodruff

AGAINST ADOPTION:

ABSENT (EXCUSED):
George R. Brown
Sululagi Palega, Sr.
Andrew J. Clark

IN TESTIMONY, WHEREOF, I have hereto set my hand and seal of said Authority this date December 11, 2003.

Julie Lee, President
SFHA Commission

DISPOSITION
AND
DEVELOPMENT AGREEMENT

FOR THE

VALENCIA GARDENS
HOPE VI DEVELOPMENT

Between the

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO

and

MISSION HOUSING DEVELOPMENT CORPORATION

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DISPOSITION AND DEVELOPMENT AGREEMENT
FOR THE VALENCIA GARDENS HOPE VI DEVELOPMENT

This Disposition and Development Agreement ("Agreement") is entered into as of the _____ day of _____, 2003 between the HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body corporate and politic, organized under the laws of California (the "Authority") and MISSION HOUSING DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation ("MHDC" or "Developer") (collectively, the "Parties").

RECITALS

A. Valencia Gardens is currently a public housing development owned by the Authority in the City of San Francisco, and consisting of 246 rental units. The development is located between Valencia and Guerrero Streets and between 14th and 15th Streets, as is more particularly described on Exhibit A (the "Property").

B. The buildings on the Property (the "Existing Buildings") are deteriorated and physically obsolete.

C. On October 10, 1997, the Authority was selected by the U.S. Department of Housing and Urban Development ("HUD") to receive a grant in the amount of approximately $23,230,641 for the purposes as described in Exhibit C for the revitalization of the Property (the "HOPE VI Grant"). HUD executed a HOPE VI Grant Agreement with the Authority effective December 1998.

D. The Authority plans to demolish the Existing Buildings and to construct new residences including certain ancillary uses such as a community center, a childcare facility, a business incubator/computer learning center and an outdoor child play space, which maintain affordability over the long term. The Authority has further determined that it can best accomplish this by engaging a developer to develop, market, own and initially manage the various components of the Development (as defined below).

E. Existing Valencia Gardens tenants will be relocated in accordance with the revised Relocation Plan approved by HUD on April 17, 2002. Such tenants will have the opportunity to return to the Development upon completion.

F. The Developer shall arrange for the demolition of the Existing Buildings, pursuant to the terms of a Preconstruction Services Agreement ("PSA"), a copy of which is attached hereto as Exhibit L.

G. Through the Request for Proposals ("RFP") issued on May 28, 1997, the Authority conducted a competitive selection procedure and selected the Developer to assist in

developing an enhanced revitalization plan, in obtaining financing, and in developing the revitalized Valencia Gardens site.

H. The Development may consist of collectively (i) the demolition of the existing two hundred forty-six (246) apartment units at the Property, and (ii) the new construction of two hundred sixty (260) apartment units, and up to eleven thousand (11,000) square feet of community facilities, childcare center, computer learning center and property management offices. Approximately eighty percent (80%) of the newly constructed apartment units will be PHA replacement units with Annual Contributions Contract ("ACC") or Section 8 project-based subsidies, and approximately twenty percent (20%) of such units will be low-income housing tax credit units for households with incomes at or below sixty percent (60%) of the area median income, as adjusted for household size. The Development will be constructed on the Property as described in the Scope of Development and Preliminary Site Plan attached to this Agreement, as attached to this Agreement as Exhibit C and Exhibit D, respectively.

I. To facilitate the Development, this Agreement provides for the Authority to convey the leasehold interest in the Property under a Ground Lease to the Developer, the Limited Partnership, or the certain Affiliate. With funding from the HOPE VI Grant and other public and private sources, Developer shall construct 260 new rental units and certain ancillary improvements on the Property, as described above. The Development shall be owned and operated during the Tax Credit Compliance Period by a limited partnership to be formed pursuant to this Agreement, and the rent-restricted residential units shall be leased to income qualified-tenants at affordable rents pursuant to the requirements of HUD and applicable public funding programs. After expiration of the Tax Credit Compliance Period, the Authority shall have an option to purchase the Development.

J. The parties agree that "community building" activities, including economic development, self-sufficiency and supportive services, must be a core part of the revitalization effort in order to assist current and future low income residents to gain self-sufficiency and in order to support the revitalization of the neighborhood. The Authority, through the Computer Learning Center and Community Support Services Division of the Housing Development and Modernization Department, shall execute an agreement with the Limited Partnership to implement measures under this Agreement to ensure that community services at the Development are an integral part of the Revitalization, and that members of the Valencia Gardens community and existing and former Valencia Gardens public housing residents are partners with the Authority and the Limited Partnership in this effort. Notwithstanding the foregoing, the parties acknowledge and agree that the Authority shall be obligated to provide funding for these community services only to the extent such funding is provided in the HOPE VI Grant. In addition, the implementation of HUD's Section 3 requirements will provide residents with the maximum feasible opportunity to participate in the revitalization effort. The Developer or Limited Partnership, as applicable, will coordinate the implementation of the community services plan, to be agreed upon among the parties and Valencia Gardens residents. Such plan shall set forth the responsibilities regarding its implementation.

K. Pursuant to the National Environmental Policy Act ("NEPA") and its implementing regulations, the City and County of San Francisco has executed a Memorandum

of Agreement with respect to the Development, which requires certain mitigation measures to be implemented to mitigate significant impacts of the replacement of the Valencia Gardens public housing development more specifically discussed in the Environmental Assessment (the "EA") for the Development. The San Francisco Field Office of HUD certified the EA on September 19, 2003, and granted the Request for Release of Funds for the Development. The EA has served, in part, as the environmental documentation for the Authority's consideration and approval of this Agreement and the transactions contemplated in this Agreement.

L. Pursuant to the California Environmental Quality Act ("CEQA") and its implementing regulations, the San Francisco City Planning Commission, as the "lead agency" under CEQA, certified a Final Environmental Impact Report on June 26, 2003 (the "EIR"), for use in consideration of the planning approvals related to the Development, following conduct of a duly noticed public hearing. The EIR called for the implementation of certain CEQA mitigation measures in connection with architectural resources, noise, air quality, geology, water quality, hazards, and archaeological resources.

In consideration of the foregoing recitals and underlying promises, which the Parties agree to be good and valuable consideration, the Parties agree as follows:

ARTICLE 1.
DEFINITIONS

Section 1.1 Definitions.

(a) "ACC" means the Consolidated Annual Contributions Contract between HUD and the Authority dated as of August 1, 1996, as amended by that certain Mixed-Finance ACC Amendment concerning the Development and incorporating the Development Units, as the same may be further amended from time to time.

(b) "ACC-Assisted Rental Units" means any rental housing units made subject to Public Housing Requirements and, in conformance therewith, qualified to receive HUD capital or operating funds.

(c) "Act" means the United States Housing Act of 1937, (42 U.S.C. § 1437, et seq.) as amended from time to time, and any successor legislation and all implementing regulations issued thereunder or in furtherance thereof.

(d) "Affiliate" means, with respect to Developer, (1) any entity which has the power to direct Developer's management and operation, or any entity whose management and operation is controlled by Developer; or (2) any entity in which an entity described in (1) has a controlling interest; or (3) any entity a majority of whose voting equity is owned by Developer, or for which Developer serves as the managing member or general partner; or (4) any entity in which, or with which, Developer, its successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation, so long as the liabilities of the entities participating in such merger or consolidation are assumed by the entity

surviving such merger or created by such consolidation. "Affiliate" means, with respect to the Authority, an entity a majority of whose directors are appointed by the Authority or serve *ex officio* on behalf of the Authority.

(e) "Affordability Reserve" shall have the meaning described in Section 7.3(d).

(f) "Agreement" means this Agreement (including all Exhibits attached hereto and made a part hereof), as supplemented and revised by the incorporation herein of the following documents as and when finalized or subsequently amended: (1) the HOPE VI Grant Agreement; (2) the Revitalization Plan; (3) any Mixed Finance Proposal.

(g) "Applicable Requirements" means (1) Public Housing Requirements, and (2) Federal, State, and local applicable laws, rules and regulations.

(h) "Approved Development Budget" refers variously, as the context may require, to the HUD budget for the entire Revitalization (attached hereto as Exhibit B), for the Development, as they may be amended by future amendments to the Revitalization Plan, as further set forth in Section 8.1.

(i) "Architect" shall refer to Van Meter Williams Pollack Associates, or any successor approved by the Authority.

(j) "Authority" means the Housing Authority of the City and County of San Francisco, organized pursuant to Section 34200, et seq. of the California Health and Safety Code, as amended, including any successor in interest or assigns by act of the Authority, or by operation of law, or otherwise.

(k) "Authority Board" shall mean the Board of Commissioners of the Authority.

(l) "Authority Closing Documents" means the documents listed in Section 6.1(a).

(m) "Authority Funds" shall have the meaning assigned in Section 2.6(b).

(n) "CalHFA" means the California Housing Finance Agency.

(o) "CDLAC" means California Debt Limit Allocation Committee.

(p) "City" means the City and County of San Francisco, California.

(q) "Closing" means the date on which the Property is conveyed to the Developer or an Owner pursuant to the Ground Lease and construction loan deeds of trust are recorded against the Property.

(r) "Construction" as used herein shall refer to new construction.

(s) "Construction Completion" means the date on which a Certificate of Occupancy is issued by the appropriate local authority.

(t) "Construction Documents" shall include, or incorporate as they come into existence, (a) the construction contract(s) and the general, special, and supplemental conditions to such contract(s); (b) the purchase orders for materials and equipment, (c) site surveys, soil boring tests and any other tests, examinations or documents prepared from time to time in connection with the Development, (d) the Plans and (e) all written or graphic interpretations, clarifications, amendments, shop drawings and changes of any of the foregoing.

(u) "Construction/Permanent HOPE VI Loan" shall mean the loan to be made by the Authority, or its Affiliate, to the Developer, or its Affiliate, to construct the Development.

(v) "Contractor" means any person or entity who or which performs a portion of the Work or supplies labor, materials, or equipment for use in connection with the Work.

(w) "DDA" shall refer to this Disposition and Development Agreement.

(x) "Declaration of Trust" shall refer to a Declaration of Trust and Restrictive Covenants recorded against the Property, or a portion thereof, evidencing long-term use restrictions required by HUD under the Act.

(y) "Developer" shall refer to MHDC, as identified above, or an entity to which this Agreement is assigned in whole or in part, pursuant to Article 22 herein.

(z) "Developer Fee" shall have the meaning described in Section 8.4.

(aa) "Developer Proposal" shall mean the Response to the RFP submitted by the Developer to the Authority, which proposal is incorporated herein by reference.

(bb) "Development" refers to the improvements to be constructed hereunder or, as the context may require, to those improvements to be constructed in a particular portion of the Development, including housing units, community facilities, infrastructure, and may in either instance refer as well to the process of planning, financing and constructing such improvements.

(cc) "Development Cash Flow" means the Development Income minus the Development Expenses.

(dd) "Development Components" means the Authority Predevelopment Components, and the Development Components, (as each is defined in Section 2.2), collectively.

(ee) "Development Expenses" shall have the meaning described in

Section 8.3 (a) (3).

(ff) "Development Income" means all revenues received by the Owner for the Development, except for those revenues related to the PHA Replacement Units.

(gg) "Development Site" shall refer to the Property.

(hh) "Development Units" means the residential apartment units to be constructed on the Property.

(ii) "Environmental Law" means any present or future federal, State or local law, ordinance, rule, regulation, permit, license or binding determination of any governmental authority relating to, imposing liability or standards concerning, or otherwise addressing the environment, health or safety, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. ("CERCLA"); the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. ("RCRA"); the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq. ("TOSCA"); the Clean Air Act, 42 U.S.C. Section 7401 et seq.; and the Clean Water Act, 33 U.S.C. Section 1251 et seq. and any so-called "Superfund" or "Superlien" law; and the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq. ("OSHA"), as each is from time to time amended and hereafter in effect.

(jj) "Existing Buildings" means the buildings which exist on the Property.

(kk) "Event of Default" shall have the meaning set forth in Section 16.1 with respect to Developer and the meaning set forth in Section 16.2 with respect to Authority.

(ll) "Funding Sources" shall have the meaning given in Section 3.2(g).

(mm) "Ground Lease" shall mean the agreement referred to in Section 7.3(b).

(nn) "Hazardous Materials" means:

(1) "hazardous substances" as defined by CERCLA;

(2) "hazardous wastes" as defined by RCRA;

(3) any hazardous, dangerous or toxic chemical, waste, pollutant, contaminant or substance ("pollutant") within the meaning of any Environmental Law prohibiting, limited or otherwise regulating the use, exposure, release, emission, discharge, generation, manufacture, sale, transport, handling, storage, treatment, reuse, presence, disposal or recycling of such pollutant;

(4) petroleum crude oil or fraction thereof;

(5) any radioactive material, including any source, special nuclear or

by-product material as defined in 42 U.S.C. Section 2011 et seq. and amendments thereto and reauthorizations thereof;

(6) asbestos-containing materials in any form or condition; or

(7) polychlorinated biphenyls in any form or condition.

(oo) "HCD" means the California Department of Housing and Community Development.

(pp) "HOPE VI Application" means that certain application for HOPE VI grant funds dated July 17, 1997 submitted by the Authority to HUD for the revitalization of the Property.

(qq) "HOPE VI Grant" means the grant in the amount of approximately $23,230,641 awarded by HUD to the Authority under the HOPE VI Program, as evidenced by the HOPE VI Grant Agreement. As used herein, the term "HOPE VI Grant" may also refer to or include the HOPE VI Grant Agreement.

(rr) "HOPE VI Grant Agreement" means the HOPE VI Revitalization Grant Agreement relating to the revitalization of the Development, by and between HUD and the Authority, dated as of December 9, 1998, as it may be amended.

(ss) "HOPE VI Program" means the Revitalization of Severely Distressed Public Housing Program as authorized by Section 24 of the Act and, for this HOPE VI Grant, by the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, FY 1998.

(tt) "HUD" means the U.S. Department of Housing and Urban Development.

(uu) "HUD Funds" means funds provided to the Authority by HUD, including HOPE VI Grant, or PFS funds, as such terms are defined herein or at 24 CFR 968.105.

(vv) "Limited Partnership" means Valencia Gardens Associates, a California Limited Partnership, in which (i) the Developer or the Developer Affiliate is the sole general partner the Authority Affiliate is a special limited partner and the Tax Credit Investor is the other limited partner of the limited partnership during the construction period until the Certificate of Occupancy is issued, and (ii) thereafter, the Authority Affiliate is admitted as the co-general partner with the Developer Affiliate as the managing general partner, and the Tax Credit Investor as the limited partner in the partnership.

(ww) "Low-Income Housing Tax Credit" or "LIHTC" refers to the credit available under Section 42 of the Internal Revenue Code of 1986, as amended.

(xx) "MHDC" means Mission Housing Development Corporation.

(yy) "MHP" means the Multifamily Housing Program, administered by HCD.

(zz) "Mixed-Finance ACC Amendment" means an amendment to the ACC, authorizing development of a mixed-finance public housing development.

(aaa) "Mixed-Finance Rental Development" shall have the meaning set forth in Sections 2.2 and 7.2.

(bbb) "Mixed-Finance Proposal" means the proposal developed in accordance with 24 CFR 941, Subpart F, or successor regulation.

(ccc) "MOH" means the San Francisco Mayor's Office of Housing.

(ddd) "Option" means the option described in Section 11.5.

(eee) "Owner" or "Partnership" means the owner of the Development Components, which will be the Limited Partnership.

(fff) "PFS" means the Performance Funding System set forth at 24 CFR Part 990, or any successor system of providing operating subsidy to public housing authorities or ACC-Assisted Rental Units.

(ggg) "PHA Replacement Units" means the two hundred and eight (208) public housing replacement units, to be funded with ACC or Section 8 Project-Based subsidies.

(hhh) "Private Construction/Permanent Loan" shall mean a loan made by a private lender to assist in the construction and or permanent financing of the Development.

(iii) "Property" means that certain real property located between Valencia and Guerrero Streets and 14th and 15th Streets, as described on Exhibit A.

(jjj) "Preconstruction Services Agreement" or " PSA" means the Preconstruction Services Agreement dated September 29, 2003 between the Authority and the Developer.

(kkk) "Predevelopment Loan Agreement" means that certain agreement dated as of November 14, 2000, by which the Authority has agreed to loan $3,052,046 to the Developer for certain predevelopment expenses in connection with the Revitalization.

(lll) "Prior Resident" shall have the meaning given in Section 4.2 (b)(1).

(mmm) "Public Housing Requirements" means all requirements applicable to public housing, including, but not limited to, the Act, HUD regulations thereunder (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the ACC, the Mixed Finance ACC Amendment, the HOPE VI Grant Agreement (if applicable), HUD notices (including any notice of fund availability under which the Authority received an award of HOPE

VI funds for use in connection with the Development), the HUD-approved Declaration of Trust in favor of HUD, the Authority's admissions and occupancy policies applicable to the Development, as set forth in the Authority's approved PHA Plan under 24 CFR part 903, and all applicable Federal statutory, regulatory and executive order requirements, as those requirements may be amended from time to time.

(nnn) "Regulatory and Operating Agreement" shall have the meaning given in Section 11.3.

(ooo) "Relocation Plan" shall mean the Relocation Plan approved by HUD on April 17, 2002, as such plan may be amended and approved by HUD.

(ppp) "Revitalization" means the totality of activities and tasks described in the Revitalization Plan.

(qqq) "Revitalization Plan" means the development proposal submitted by Authority and approved by HUD on May 22, 2002.

(rrr) "Revitalized Community" means the Development or any portion thereof, after it is placed in service.

(sss) "RFP" shall mean the Request for Proposal issued by the Authority on May 28, 1997, which is incorporated herein by reference.

(ttt) "Right of First Refusal" shall have the meaning given in Section 11.5.

(uuu) "Schedule of Performance" shall mean the development schedule attached hereto as Exhibit E, as may be amended by the parties from time to time.

(vvv) "Scheduled Closing Date" means the date for close of escrow set forth in the Schedule of Performance.

(www) "Scope of Development" means the description of the improvements to be constructed as part of the Development attached hereto as Exhibit C, as the parties may revise from time to time.

(xxx) "Section 3" means Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, and its implementing regulations at 24 CFR Part 135.

(yyy) "Tax Credit Compliance Period" means the fifteen (15) year compliance period as defined in Section 42(i)(1) of the Internal Revenue Code.

(zzz) "Tax Credit Investor" means the limited partner selected by the Developer to be admitted into the Partnership, to make capital contributions to the Development in the amounts set forth in the Approved Development Budget, in consideration of receiving the benefits of the LIHTC.

(aaaa) "TCAC" shall refer to the California Tax Credit Allocation Committee.

(bbbb) "Termination for Convenience" shall have the meaning given in Article 17.

(cccc) "Transfer" shall have the meaning given in Section 22.6.

(dddd) "Work" is the total Construction of the Development as described in the Construction Documents.

Section 1.2 List of Exhibits.

Exhibit A	Legal Description
Exhibit B	Approved Development Budget
Exhibit C	Scope of Development
Exhibit D	Preliminary Site Plan/Schematic Design
Exhibit E	Schedule of Performance
Exhibit F	Site Mitigation Plan
Exhibit G	Affirmative Action Requirements
Exhibit H	Resident Hiring Plan
Exhibit I	Permitted Title Exceptions
Exhibit J	Form of Preconstruction Services Agreement

ARTICLE 2.
REVITALIZATION PLAN COMPONENTS; FINANCING

Section 2.1 Revitalization Objectives.

The parties are entering into this Agreement to effect the Revitalization of the Property in order to achieve the objectives described in the Revitalization Plan and as summarized in the Recitals to this Agreement.

Section 2.2 Scope of Development Components.

The Revitalization is currently planned to consist of the Authority Predevelopment Components, Developer Predevelopment Components, and Housing Development Components (also known as the Mixed-Finance Rental Development), as these terms are defined above. All details of the Revitalization set forth in this Agreement, however, may be changed by agreement of the parties and such amendment of the Revitalization Plan, with HUD approval, as the HOPE VI Grant Agreement requires.

(a) The Authority Predevelopment Components shall consist of the completion of relocation of all Valencia Gardens residents and shall be funded from the HOPE VI Grant or by the Authority pursuant to Section 2.6(b) of this Agreement. The Authority

Predevelopment Components will be implemented by the Authority.

(b) The Developer Predevelopment Components shall consist of master planning activities for subsequent components and further predevelopment and preconstruction activities as provided in Exhibit E. The Developer Predevelopment Components will be implemented by the Developer or its contractor(s).

(c) The Housing Development Component, or the Mixed-Finance Rental Development, consists of the construction of two hundred sixty (260) apartment units, approximately eleven thousand (11,000) square feet of community space and child care facilities, computer learning center and property management offices as described below, and as more particularly described in the Scope of Development attached as Exhibit C hereto. Of the approximately 260 rental units, all but five (5) will be assisted by the LIHTC and restricted to families eligible thereunder. Approximately eighty percent (80%) of the newly constructed apartment units will be PHA Replacement Units with ACC or Section 8 Project-Based subsidies and approximately twenty percent (20%) of such units will be low-income housing tax credit units for households with incomes at or below sixty percent (60%) of the area median income, as adjusted for household size.

The Developer Predevelopment Component and the Housing Development Component are collectively referred to herein as the "Development Components."

Section 2.3 Ownership Structure.

(a) Upon Closing the Authority will lease the Property to Developer or the Limited Partnership under a Ground Lease. The Developer will create a limited partnership, as more fully described in Section 11.1 of this Agreement, to own and operate the Development located on the Property.

Section 2.4 Program Management.

The Authority as Grantee of the HOPE VI Grant will implement the HOPE VI program by ensuring that: (a) all material obligations imposed by the HOPE VI Grant Agreement are met; (b) activities and programs which are part of the Revitalization are supported by sound budgeting; (c) all such activities and programs are assigned to specific individuals and/or teams, whether on the Authority staff, Developer staff, or through a contract or subgrant; (d) for each such substantial activity or program there are appropriate performance measures and deadlines; (e) all program funds are properly expended and accounted for; and (f) requests for approvals, approvals, reporting, and other communications among HUD, the Authority, the Developer, and other interested parties are made and responded to properly and expeditiously so that funds are -made available and the Revitalization proceeds in accordance with the Schedule of Performance.

Section 2.5 **INTENTIONALLY OMITTED.**

Section 2.6 Budgetary Controls.

(a) The Revitalization Plan shall include a budget (referred to herein as the "Approved Development Budget," notwithstanding that it may also include expense items other than for the Development Components) approved by HUD, as it may be amended (with HUD approval) from time to time, which Approved Development Budget is attached hereto as Exhibit B. The Authority shall have no contractual liability to pay or provide any amount to Developer or for the Revitalization under this Agreement, except as provided in subsection (b) below. The parties recognize that financial needs may arise which require budget revisions so that the Revitalization may be accomplished, and they will consider and pursue such revisions in good faith.

(b) The Authority's expected financial commitment to the Development Components under this Agreement is limited to such funds as may be shown in the Approved Development Budget, which at present consist of $23,230,641 in HOPE VI Grant Funds (less certain funds as are budgeted or otherwise necessary to accomplish Authority's own obligations hereunder, including program management, relocation and the performance of the certain community services described in the Grant Agreement, which amount shall not exceed $4,850,000), plus any additional funds necessary to complete the Authority's relocation obligations under Section 4.2 (which additional funds may exceed the amount shown in the Approved Development Budget) (together, the "Authority Funds"). Developer shall propose, prepare and ascertain the sufficiency of the Approved Development Budget, discuss its conclusions with the Authority, and identify such further funds as may be required for the Development Components.

Section 2.7 Environmental Clearance. The Parties certify that (1) until the environmental review requirements contained at 24 CFR § 970.4 are completed to the satisfaction of HUD, the Parties shall take no action to demolish, rehabilitate, or otherwise affect the improvements now on the Property, or expend Federal funds on the improvements other than with respect to action that is taken in the normal maintenance or operation of the improvements, and (2) the Parties shall take such actions as may be necessary to preserve the improvements in their current condition, until such time as the environmental review is completed. Provided further, that in the event that a separate environmental review with respect to actions to abate asbestos is completed under 24 CFR Part 50 and HUD provides written approval for such actions, such actions may be undertaken by the Parties in accordance with the conditions of such approval.

ARTICLE 3.
GENERAL DUTIES OF PARTIES

Section 3.1 Developer's Obligations.

In addition to any obligations stated elsewhere in this Agreement, the Developer shall have the following duties and responsibilities:

(a) Affiliates. All obligations of the Developer stated herein shall include, without explicit mention, its obligation to cause any Affiliate to meet the same obligations with respect to matters in which the Affiliate is involved.

(b) Requirements. Developer shall diligently and in good faith seek to develop and construct the Development in accordance with the requirements of this Agreement, the Authority Closing Documents and all Applicable Requirements.

(c) Compliance with Grant Agreement. Developer shall diligently and in good faith manage and implement the Development Components in compliance with those portions of the HOPE VI Grant Agreement that relate to Developer's obligations under this Agreement, and so as not to cause a default thereunder. Developer shall not be deemed to have failed in the foregoing obligation if any default under the HOPE VI Grant Agreement was materially caused, occasioned or hindered in its cure by any actions, omissions, delays or breaches of warranty of the Authority, or for reasons beyond the control of the Developer, including, but not limited to, HUD's failure to review and approve submittals in a timely manner.

(d) Development Schedule. Developer shall use diligent efforts to complete all tasks shown on the Schedule of Performance by the date shown on the Schedule of Performance.

(e) Funding Applications. If Developer has obtained all necessary rights, agreements and information reasonably necessary to submit a complete and valid applications, then Developer shall submit to CDLAC an application for an allocation of tax-exempt bonds, and if approved, an application to TCAC for an allocation of four percent (4%) tax credits and to HCD for MHP funds or submit to TCAC an application for an allocation of nine percent (9%) tax credits in accordance with the Schedule of Performance attached in Exhibit E.

(f) Financing. Developer shall make diligent efforts to seek binding commitments for all construction and permanent financing, including any public funding, needed for the Development as shown in the Approved Development Budget, and shall prepare or negotiate appropriate documentation to close such financing or obtain such funding. All financing placed on the Property shall be subject to the review and approval of the Authority and HUD, which review and approval shall not be unreasonably withheld, delayed or denied. If the Authority has not objected in writing within fifteen (15) days of Developer's submission of any proposed financing, such proposal shall be deemed approved by the Authority. The Developer will be responsible for maximizing use of leveraged financing sources from the Low Income

Housing Tax Credit program, tax-exempt bonds, and the other Funding Sources.

(g) Employees, Agents and Contractors. Developer shall be solely responsible for the selection, hiring, contracting with, directing, and discharging of all employees, agents and contractors whom or which Developer utilizes in accomplishing its duties hereunder. Developer shall use reasonable care and due diligence to select qualified, competent and trustworthy entities and individuals for such purposes. Notwithstanding the foregoing, the Authority shall have the right to require Developer to terminate or reassign any employee, agent or contractor upon evidence of a conflict of interest causing the Authority to violate its obligations under Applicable Requirements.

(h) Information. Developer shall provide the Authority within ten (10) business days after a written request thereof with all information with respect to the Development Components reasonably requested by the Authority to prepare the filings and reports required by the HOPE VI Grant Agreement.

(i) Approvals. Developer shall, on an ongoing and timely basis, advise the Authority as to the status of the processing of all applications necessary to obtain all governmental approvals required in accordance with this Agreement and all applicable federal, State and local laws, rules and regulations. Developer shall advise the Authority of any hearings regarding matters described in this Agreement with ten (10) days notice, or if Developer receives less notice than that, a reasonable amount of advance notice to enable the Authority to elect to attend such hearings.

(j) Applications. Developer shall keep the Authority fully informed, and consult with the Authority concerning, the development of all applications for government assistance and public or private financing. Developer will provide the Authority with a reasonable number of copies of all formal submissions.

(k) Cooperation and Skill. Developer recognizes the relationship of trust and confidence established between it and the Authority by this Agreement and agrees to (i) keep itself and the Authority fully informed as to the progress of the Development, (ii) consult and cooperate fully with the Authority (and for this purpose the Authority shall include the Authority's representatives) in furthering the interest of the Authority in the Development as set forth in the Revitalization Plan, (iii) furnish its best skill and judgment in the accomplishment of the Development, and (iv) furnish sound business administration and superintendence.

(l) Indemnification. Developer shall indemnify, defend and hold harmless the Authority and its board members, officers, employees and agents from and against any and all losses, costs, damages, claims, causes of action, demands, suits, liabilities, obligations, judgments and expenses (including reasonable attorney fees and other costs of litigation) arising out of or relating to: (i) Developer's activities pursuant to this Agreement; or (ii) any breach by Developer of any provision of this Agreement, except to the extent such claims arise in connection with or from: (w) Authority's activities (or failure to perform its obligations) under Section 4.2; (x) the gross negligence or willful misconduct of the Authority, its board members, officers, employees, agents, successors, and assigns. The Developer's liability shall not be

limited by any provisions or limits of insurance set forth in this Agreement. This indemnification shall survive the expiration or termination of this Agreement.

(m) Real Estate Tax Exemptions and Abatements. Developer, with such assistance and cooperation from the Authority as may be necessary, shall be responsible for obtaining property tax exemptions for the Mixed-Finance Rental Development or shall be responsible for the payment of property taxes or possessory interest taxes on such sites.

(n) Additional Responsibilities. Developer, in consultation with the Authority, shall prepare for execution by the Authority all required applications, evidentiaries, reports to HUD or any and all other agencies that may be required to obtain permits, approvals and the like, pursuant to the Authority's obligations and responsibilities as set forth in Subsections 3.2(b), (e), (f) and (g).

Section 3.2 Authority Obligations.

In addition to any obligations stated elsewhere in this Agreement, the Authority shall have the following duties and responsibilities.

(a) Approvals. The Authority shall review on an expeditious basis any matter submitted and advise Developer of approval or of why approval is being withheld. The Authority's approval, where called for in this Agreement, shall in all instances be evidenced by a writing explicitly granting such approval and signed by the Executive Director, or his or her written designee, except in those instances where items are deemed approved pursuant to Sections 3.1, 6.3 and 9.6 of this Agreement.

(b) HOPE VI Compliance. The Authority will make diligent efforts to comply with the ACC and the HOPE VI Grant Agreement and to not permit any default thereunder which would impede the flow of funds to Developer under this Agreement or otherwise adversely affect the Revitalization. The Authority shall not be deemed to have failed in the foregoing obligation if any default was caused, occasioned or hindered in its cure by any actions, omissions, delays or breaches of warranty of the Developer, or Developer's Affiliates, contractors or employees.

(c) Access to Site. So long as the Authority retains title to or control of the Property, the Authority shall provide Developer such access to the Property (including the Existing Buildings) as may be reasonably necessary to perform Developer's obligations under this Agreement.

(d) Protection of Grant Funds; Efficient Administration. The Authority shall ensure that it has available the Authority Funds which are committed in this Agreement or in any Development Plan which it may hereafter approve, and shall expend such funds only in accordance with this Agreement, the Revitalization Plan, any approved Development Plan and the budgets and schedules therein contained, as the same may be amended from time to time.

(e) Execution of Documents. The Authority shall maintain sole authority for

the execution of documents as the grantee under applicable grant agreements with HUD or applicable law or regulation. Whenever statute or regulation or the successful implementation of the Agreement requires the Authority to take actions or execute documents consistent with the Authority's powers and obligations under this Agreement, the Authority will do so promptly, provided that any documents prepared for the Authority's execution shall be in form and substance acceptable to the Authority in its sole discretion.

(f) HUD Approvals. The Authority will endeavor, with Developer's assistance, to secure the approval of HUD for all activities contemplated herein over which HUD has authority, including without restriction the disposition of the Property, the loan or grant of funds or purchase of an equity interest, the development of new public housing units, and the operation and management of such housing.

(g) Additional Funding. The Authority will make diligent efforts to assist and support Developer's applications for additional public funding for the Development, including but not limited to HUD, TCAC, CDLAC, HCD, CalHFA and MOH sources of funds (collectively, the "Funding Sources"). In addition, the Authority shall cooperate in good faith with Developer to accommodate the reasonable security needs of private lenders necessary to complete the Development, provided that the Declaration of Trust shall be recorded first, prior to any mortgage liens against the Property. The Authority shall assist and support the Developer in seeking additional funds to provide community services to the tenants in the Development.

(h) Relocation. The Authority shall complete the relocation of residents from the Property in accordance with the Relocation Plan, as required by law and applicable regulations. Funding of relocation activities shall be as provided in Section 2.6(b), and relocation activities shall be completed by the time set forth in Exhibit E.

Section 3.3 Mutual Obligations.

(a) External Communications. The Parties agree to cooperate and consult with each other regarding any public statements or publications made regarding the Revitalization. In the event the Parties cannot agree on such public statements or publications, the Authority shall have the final decision with regard to such statements or publications.

(b) Information. The Authority and Developer shall provide each other all necessary information relating to the Revitalization Plan, as expeditiously as possible for the orderly progress of the Revitalization. In addition, the Authority and Developer shall coordinate regarding all relevant communications with HUD, and each shall provide the other with copies of all relevant correspondence, directives, and other written material either to or from HUD with respect to this Revitalization. The Authority and Developer will meet as frequently as may be necessary, but no less often than monthly, for regular briefings and progress reports.

ARTICLE 4.
AUTHORITY PREDEVELOPMENT COMPONENTS

Section 4.1 Demolition/Disposition Approval.

The Authority shall diligently pursue such HUD approval as may be required pursuant to Section 18 of the Act and 24 CFR Part 970 (including, but not restricted to, adoption of a PHA Plan or Interim Plan) as may be required to obtain HUD approval to dispose of the Property in accordance with the Revitalization Plan. Developer shall provide reasonable assistance in preparing submissions and obtaining approval, as requested by the Authority.

Section 4.2 Relocation and Rehousing.

(a) The Authority will relocate the residents to relocation housing at its own expense prior to the Closing, in accordance with the Relocation Plan. The Authority has complied, and shall continue to comply, with all Federal, State and local requirements governing the relocation of residents and the provision of replacement housing under this Article including the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended by the Uniform Relocation Act Amendment of (the "Uniform Relocation Act"), and any and all other Federal or state laws, rules or regulations.

(b) Consistent with the Relocation Plan and representations made by the Authority to relocated Valencia Gardens residents regarding their first priority to apply to return to the Revitalized Community, the Authority and the Developer shall jointly develop (after full consultation with the Valencia Gardens Residents Council ("VGRC"), as required by the Relocation Plan,) a Rehousing Policy which will contain the following elements, at a minimum:

(1) Households that were eligible under the Relocation Plan ("Prior Residents") who apply to move to the Revitalized Community in accordance with established procedures and who meet eligibility and screening standards shall have a preference over other applicants who are not Prior Residents.

(2) Eligibility for Prior Residents will require that household members fully participate in HOPE VI self-sufficiency programs, subject to exceptions for age, disability or other factors which the Authority may establish; demonstrate a continuing commitment to lease-compliance and to meet behavioral standards which would be expected in the private rental market; and have no prior history of criminal acts or lease violations which, consistent with HUD Regulations, would disqualify them.

(c) The Authority shall provide necessary and appropriate moving assistance to Prior Residents who are returning to the Revitalized Community when it is available for occupancy, and all costs thereof shall be charged to the funds made available under the Revitalization Plan or to other funds of the Authority available for such purpose.

ARTICLE 5.
DEVELOPER PREDEVELOPMENT COMPONENTS

Section 5.1 Developer Responsibility and Management.

Developer shall conduct the Developer Predevelopment Components as described in Section 2.2 and this Article, as more fully specified in the Predevelopment Loan Agreement, as amended, and the PSA, and shall use diligent efforts to do so, in accordance with the Schedule of Performance. Developer will ensure that work which it conducts is conducted in conformance with all applicable laws and will obtain all necessary permits and approvals of third parties.

Section 5.2 License.

The Authority hereby grants Developer full license to enter the Property and any Existing Buildings and conduct all such inspections and testing as it wishes, subject to the indemnity provisions of Section 3.1 and any prior license to enter executed between the Authority and the Developer, and provided that: (a) the Authority is given at least 24 hours notice, in writing, where feasible, or such shorter oral notice as it reasonably consents to, including a description of any testing; (b) all inspection and testing will be conducted in compliance with all applicable laws and regulations, with due respect for the privacy and safety of the remaining residents, if any, and consistent with any applicable notice provisions of the Authority's leases with these remaining residents provided that the Authority has provided Developer with copies of such provisions; and (c) all results of such testing, including copies of any reports, are provided to the Authority at no cost.

Section 5.3 Planning.

(a) Developer will conduct such design, planning, marketing, engineering and other studies as are necessary in Developer's reasonable judgment.

(b) Developer and its consultants shall actively participate in the community meetings carried out by the Authority.

(c) Developer will identify and use diligent efforts to obtain issuance of all zoning, land use, subdivision, resubdivision, street and alley closings and dedications, historic preservation approvals, environmental reviews, and other approvals and interpretations consistent with and necessary for the Development.

Section 5.4 Demolition and Initial Remediation Work.

In compliance with the PSA executed by and between the Authority and the Developer, and attached hereto as Exhibit L, upon approval by HUD and the Authority to use the HOPE VI Revitalization or other funds as may be secured by the Developer, the Developer shall arrange for the demolition of the Existing Buildings and certain remediation activities on the Property prior to the Scheduled Closing Date. Developer's obligations under the PSA are

separate obligations, are not part of the Developer Predevelopment Components, and are governed exclusively by the PSA.

Section 5.5 Disbursement for Third Party Costs.

For all disbursements, other than disbursements of the Developer Fee, Developer shall provide monthly statements that identify the Development services performed and the party performing such service, the hours worked and the direct and indirect costs incurred prior to closing. Such statements shall be in the form requested by Authority. Authority shall provide seventy-five percent (75%) of such payments to Developer within 30 days of receipt of a proper request for disbursement. The foregoing limitation shall not apply to certain predevelopment activities that are within the scope of the HUD approved Predevelopment Loan Agreement and budget, which permits the payment of one hundred percent (100%) of the costs. The request for disbursement for Development services shall be on Application and Certificate for Payment (AIA Document G702) and signed by an authorized representative of Developer.

Section 5.6 Infrastructure and Site Improvements.

After the Closing, Developer shall develop, complete and construct all roads, streets, utility lines and conduits, sewers, and other site improvements, consistent with all state and local laws.

ARTICLE 6.
CONDITIONS PRECEDENT TO PERFORMANCE AT CLOSING

Section 6.1 Mutual Conditions Precedent to Closing.

(a) The following are conditions precedent to the obligations of both parties to close escrow under Section 6.4:

(1) Ground Lease. The Ground Lease required by Section 7.3(b) shall have been executed by Authority and Owner.

(2) Additional Agreements to be Negotiated. The following agreements shall have been negotiated in substance and form satisfactory to HUD and executed by the respective parties thereto:

(A) Regulatory and Operating Agreement (which passes through the ACC subsidy to the operator of the public housing units and imposes the public housing restrictions);

(B) Authority Loan Documents (for the construction and permanent funding of HOPE VI and Authority funds for the Development);

(C) Developer Guaranties pursuant to Section 8.3(a)(6);

(D) Tax Credit and syndication documents (including Developer guaranties to investor);

(E) Option and Right of First Refusal;

(F) Management Agreement(s);

(G) Management Plan(s);

(H) Community & Supportive Services Plan(s);

(I) Mixed-Finance Proposal to HUD; and

(J) Mixed-Finance Amendment to the Annual Contributions Contract.

(3) HUD Approvals. HUD shall have approved the Mixed-Finance Proposal in accordance with 24 CFR Part 941, Subpart F, and all evidentiary documentation required to close thereunder;

(4) Funding Commitments and Other Items for CDLAC Application. By the CDLAC application date as shown on the Schedule of Performance, the Development shall have received all rights and agreements, including, without limitation, the conditional commitments of all of the sources of Development assistance as enumerated in the Approved Development Budget attached hereto in Exhibit B or substitutions mutually acceptable to Authority and Developer.

(5) Funding Commitments for Closing. The Development shall have received conditional commitments of all the Funding Sources as enumerated in the Approved Development Budget, Exhibit B for the Development Components, or substitutions mutually acceptable to Authority and Developer therefor, including but not limited to equity investments, loans from private lenders, grants, loans or land transfers from the Authority and assistance from other public agencies in accordance with the Schedule of Performance, and, at Closing, all construction loans and funding sources shall be in a position to close concurrently with the Closing under this Agreement.

(b) The conditions set forth in this Section 6.1 must be satisfied by the Closing (except as otherwise expressly stated in Subsections 6.1(a)(4) and 6.1(a)(5)) or such other dates as may be agreed upon by the Developer and Authority, unless both Developer and Authority waive the condition in writing. If any of the conditions set forth in Section 6.1 is not waived or satisfied by the date for waiver or satisfaction set forth above, then either party may terminate this Agreement upon thirty (30) days written notice to the other party without further liability, except for such liability as may be provided for under any predevelopment loans or separate contracts entered into pursuant to this Agreement and except for continuing indemnities provided elsewhere in this Agreement.

Section 6.2 Conditions Precedent to Authority Performance at Closing.

(a) The following are conditions precedent to Authority's obligation to enter into the Ground Lease and close escrow:

(1) Construction Documents. The Developer will have prepared, or will have seen to the preparation of, Construction plans, budgets, schedules and a construction contract as provided in Article 9 (the "Construction Documents").

(2) Permits and Approvals. The Developer shall have obtained (in its own name, Owner's name or, where appropriate and with the approval of the Authority, in the name of the Authority) all necessary building and construction permits, licenses, easements, zoning and approvals for the commencement of construction of the Development Components, including commitments to provide the utilities necessary for the Development.

(3) Owner. The Developer shall have formed the Limited Partnership.

(4) Tax Credit Investor Proposals. Developer shall have obtained at least three (3) competitive proposals from tax credit investors prior to submission of the CDLAC application that will provide equity at least in the amount shown on the Approved Development Budget for the Development and as required by Section 8.3(b).

(5) Equity Investors. The Developer (directly, through an Affiliate, or through a third party) shall have solicited additional members or limited partners to join and make equity contributions to the Limited Partnership as the Tax Credit Investor to develop rental housing as required by Section 8.3(b)(2).

(6) Management Agreement and Plan. The Developer shall have provided to the Authority, for its review and approval, a management agreement and management plan, for the Development Components.

(7) Developer Guaranties. The Developer shall provide the guaranties required by Section 8.3(a)(6).

(8) No Developer Default. No Event of Default on the part of Developer exists and is continuing under this Agreement.

(b) The conditions set forth in this Section 6.2 shall have been satisfied as of the Scheduled Closing Date, unless the Authority waives them in writing. If there is no waiver or satisfaction, the Authority may terminate this Agreement upon thirty (30) days written notice to Developer without further liability, except for such liability as may be provided for under any predevelopment loans or separate contracts entered pursuant to this Agreement and except for continuing indemnities provided elsewhere in this Agreement.

Section 6.3 Conditions Precedent to Developer's Performance at Closing.

(a) Conditions Precedent in General. The following are conditions precedent to the Developer's obligation to lease the Property from the Authority and close escrow:

(1) Relocation Activities. The Authority shall have completed the relocation of residents of the Property as required by Section 4.2 and shall be in a position to deliver the Property free and clear of all tenants.

(2) Property Condition. There shall have been no material adverse change in the condition of the Property, or discovery of a physical condition that would materially adversely interfere with the development of the Property.

(3) Construction Documents. The Authority shall have approved the Construction Documents in accordance with the Schedule of Performance.

(4) Title Insurance. The Title Company is prepared to issue to the Developer or Owner all title insurance required by Section 6.6 to be delivered to Developer.

(5) Project-based Section 8. The Development Components shall have received an allocation of project-based Section 8 assistance from the Authority in an amount consistent with the Financing Plan; provided, however, that nothing in this Agreement shall be construed to commit project-based Section 8 assistance to the Developer and that Developer understands and acknowledges that Developer must apply to the Authority for such assistance in a process governed by federal regulations and Authority guidelines.

(6) Government Approvals. The Development shall have received (in its own name, Owner's name or, when appropriate and with the approval of the Authority, in the name of the Authority) all necessary governmental approvals and permits, including without limitation HUD's approval of the Revitalization Plan and this Agreement, all necessary building and construction permits, licenses, easements, zoning and other approvals for the commencement of construction of the Development Components, including commitments to provide the utilities necessary for the Development.

(7) No Litigation. No litigation or claim with any governmental entity shall have been filed and be pending which may have a material, adverse impact on the Development or the Property.

(8) No Authority Default. No Event of Default on the part of the Authority exists and is continuing under this Agreement.

(b) The conditions set forth in this Section 6.3 must be satisfied as of the Closing Date, unless the Developer waives them in writing. If there is no waiver or satisfaction by the Scheduled Closing Date, the Developer may terminate this Agreement upon thirty (30) days written notice to the Authority without further liability, except for such liability as may be provided for under any predevelopment loans or separate contracts entered pursuant to this

Agreement and except for continuing indemnities provided elsewhere in this Agreement.

Section 6.4 Delivery of Site.

(a) Authority's Obligation to Ground Lease. Provided that the conditions precedent in Sections 6.1, 6.2 and 6.3 have been satisfied or expressly waived, the Authority and the Developer shall instruct a Title Company selected by mutual agreement to complete the Closing as set forth below. Upon the Closing, the Authority shall deliver the Property to the Owner under the Ground Lease.

(b) Steps for Closing. The Closing shall be completed as follows:

(1) On or before the Closing, the Authority shall obtain written approval from HUD for the demolition of Existing Improvements on the Property and the disposition of a leasehold interest in the Property, as provided herein.

(2) On or before the Closing, the Authority shall execute, acknowledge, deposit and deliver to the Title Company, as necessary and appropriate, the Ground Lease, a memorandum of the Ground Lease in form and substance acceptable to HUD, Authority and Developer (the "Memorandum of Ground Lease") and the agreements listed in Section 6.1.

(3) On or before the Closing, the Owner shall execute, acknowledge, deposit and deliver to the Title Company, as necessary and appropriate, the Ground Lease, the Memorandum of Ground Lease, and the Developer shall execute, acknowledge, deposit and deliver to the Title Company, as necessary and appropriate, escrow instructions, and the agreements listed in Section 6.1.

(4) The Authority and the Developer shall instruct the Title Company to consummate the escrow and upon Closing, the Title Company shall record in the Official Records, Memorandum of Ground Lease and any other documents required to be recorded under the terms of this Agreement.

(5) The Title Company shall issue title policies to the Developer or the Owner, and the Authority, as required below.

(c) Effect of Closing. Once Closing has occurred, this Agreement will terminate, except with regard to any surviving indemnity provisions, and the Authority Closing Documents will govern the parties' obligations as to matters set forth in them. In the event of any conflict between Authority Closing Documents and this Agreement, the provisions of the Authority Closing Documents will govern. No termination of this Agreement, in and of itself, shall release the other party from the obligations it has undertaken in Authority Closing Documents nor increase the rights and remedies it may have under such documentation.

Section 6.5 Conditions of Title.

(a) Permitted Title Exceptions. Except for those permitted title exceptions as shown on Exhibit J and such other matters as Developer shall cause or suffer to arise ("Permitted Title Exceptions"), the Authority shall deliver to the Developer or an Owner the Property under and subject to the provisions of the Ground Lease.

(b) Developer's Remedies for Uncured Title Defect. If on or before the date specified for the Closing, a title defect not caused by Developer, its agents or Affiliates and which would materially and adversely affect the Development arises and which the Authority does not elect to cure, (which election shall be at Authority's sole discretion, excepted as provided below), the Developer may by written notice to the Authority either (i) terminate this Agreement, or (ii) accept the Property under the Ground Lease.

The Authority shall be obligated, at Authority's expense, to cure any title defect which is curable by the payment of money or the posting of a bond if such title defect arises after the date of this Agreement and on or before the Closing Date, and is caused solely by the Authority, its agents or employees.

Section 6.6 Title Insurance to be Issued at Closing.

The Title Company shall issue to the Developer or Owner an ALTA extended coverage title insurance policy with such coinsurance or reinsurance and direct access agreements as the Developer may request reasonably, in an amount designated by the Developer insuring that the leasehold estate in the Property is vested in the Owner subject only to the Permitted Title Exceptions, and with the CLTA form endorsements and such other endorsements as may be requested reasonably by the Developer.

ARTICLE 7.
DEVELOPMENT COMPONENTS

Section 7.1 Developer Designation.

Subject to events of force majeure as defined in Section 16.1(c), Developer will implement the Development Components in accordance with the Schedule of Performance. Except as provided in the PSA, Developer and/or Owner will develop the Development Components in its own name and for its own account, and not as agent or contractor of the Authority. For the purposes of 24 CFR Part 85, the Parties do not deem Developer to be performing a contract for property or services, or operating under a subgrant of federal funds, while developing the Development Components.

Section 7.2 Mixed-Finance Rental Development.

Mixed-Finance Rental Developments are housing developments developed and operated pursuant to Section 35 of the Act and regulations appearing at 24 CFR Part 941,

Subpart F. In general terms, using the mixed-finance model, the Developer and/or Owner will develop, own, lease and operate the Development. A certain number of units in the Development will be designated as "ACC-Assisted Rental Units" and will be developed and operated as public housing units pursuant to the Act. The remainder of the units will be free of any operational constraints under the Act, but shall be subject to Tax Credit restrictions, project-based Section 8 restrictions, and may be subject to restrictions attributable to other financing sources, other statutory or regulatory restrictions, or the agreements of the parties.

(a) The Mixed-Finance Rental Development will consist of the new construction of two hundred sixty (260) apartment units, and up to eleven thousand (11,000) square feet of community facilities, childcare center, computer learning center and property management offices. Approximately eighty percent (80%) of the newly constructed apartment units will be PHA Replacement Units with ACC or Section 8 project-based subsidies and approximately twenty percent (20%) of such units will be low-income housing tax credit units for households with incomes at or below sixty percent (60%) of the area median income, as adjusted for household size. All but five (5) of the units will be assisted by LIHTC and restricted to families eligible thereunder.

(b) Each Mixed-Finance Rental Unit of a given unit type will be indistinguishable from other Mixed-Finance Rental Units of the same unit type, and the units designated as "ACC-Assisted Rental Units" shall be dispersed throughout the Development.

Section 7.3 Authority Commitments.

Upon the performance by Developer of all its prior obligations with respect to the Development, as set forth herein, and upon such HUD approvals as may be required, Authority shall take the following actions and execute and deliver such documents as are required to complete Closing.

(a) Authority Funds. Authority shall invest in the Development that portion of the "Authority Funds" shown in the approved Mixed-Finance Proposal. The investment may be in the form of a loan, grant or equity investment as the parties determine will maximize the feasibility of the transaction and, where relevant, its tax credit eligibility, subject to lender protection provisions and all provisions required by HUD. The Owner and the Authority shall execute such mutually approved loan or grant agreements, notes, mortgages, security agreements and other documentation as may be necessary to effectuate the Authority's investment. However, there shall be no lien or encumbrance on the Authority's fee interest in the Site, except for public housing restrictions and other HUD restrictions.

(b) Site Conveyance. Upon Closing, the Authority shall lease the Development Site pursuant to Section 2.3 to the Owner, pursuant to the terms of a ground lease (a "Ground Lease"), which shall have been negotiated and executed.

The Ground Lease will provide for, without limitation, subject to final negotiations with lenders and investors: (i) a term commencing on the date of Closing and expiring sixty-five (65) years after recordation of the TCAC regulatory agreement; (ii) cash

payments only to the extent that there are residual receipts available after payment of private lender mortgage payments, operating expenses, replacement reserve in the amount of $350.00 per unit, deferred Developer Fee (if any), partnership incentive fee (subject to further negotiations) and asset management fees; (iii) annual leasehold rent equal to one-third (1/3) of the net cash flow, with unpaid amounts accruing without interest; and (iv) due to the fact that the Authority's fee interest in the land and the Public Housing Requirements will not be subordinated to lenders' security interests, the Ground Lease and the Regulatory and Operating Agreement will include flexibility with regard to tenant income limitations and maximum rents, at least upon tenant turnover, in the event that the Section 8 project-based assistance or ACC subsidies, decline or are terminated.

(c) Operating Subsidy. The Authority will commit to pay operating subsidies to the ACC Assisted Rental Units, such commitment to be expressed in a Regulatory and Operating Agreement as described in Section 11.3. The Authority will also execute a Housing Assistance Payments Contract subject to the approval of an application for Section 8 project-based subsidies for the Development.

(d) Affordability Reserve. The Parties will fund an Affordability Reserve for the Mixed-Finance Rental Development in an amount shown on the approved Mixed-Finance Proposal in order to secure the Development against operating deficits relating solely to the ACC-Assisted Rental Units and attributable to certain lapses or shortfalls in operating subsidy. The Reserve will not be funded until after the tax credit investor has funded capital contributions to the Owner for the Development Components in amounts to be negotiated by the parties prior to Closing. The Affordability Reserve will be held in an interest bearing escrow with a mutually approved escrow holder, will remain the property of the Authority at all times, and will be returned to the Authority when no longer required under the terms of the Regulatory and Operating Agreement. The Owner will have access to the Affordability Reserve in prescribed circumstances, such as certain shortfalls in operating subsidy for the public housing units, as the parties may agree in the Regulatory and Operating Agreement.

(e) Availability of Authority Funds. All payments to be made by the Authority pursuant to this Agreement are contingent upon the receipt of funds for the Development Components. The Authority shall not be obligated to pay any money in the event that public housing funds are terminated, withheld or are insufficient; provided that the Authority shall pursue, with Developer's assistance and cooperation, alternative sources of funding. The Authority may suspend the Development Components until sufficient funding is secured or, if necessary, terminate this Agreement for convenience.

ARTICLE 8.
FINANCING ARRANGEMENTS

Section 8.1 Approved Development Budget and Commitments.

(a) Approved Development Budget. The Parties acknowledge that subject to financing commitments and other requirements, the Developer shall use diligent efforts to

comply with the Approved Development Budget, attached hereto in Exhibit B (the "Approved Development Budget"), for each of the following Development Components, which Approved Development Budget includes the following elements:

(1) the development budget;

(2) the sources and uses analysis for the period of the construction, including an analysis of subsidized financing necessary from the Authority, if any, and/or other public bodies, if any;

(3) the sources and uses analysis from the date of the origination of the permanent loan, including an analysis of subsidized financing necessary from the Authority, if any, and/or other public entities, if any;

(4) the 30-year cash flow Projections of the Mixed-Finance Rental Development, including an analysis of the Mixed-Finance Rental Development from the date of the issuance of the Certificate of Occupancy;

(5) the initial operating budget for the Mixed-Finance Rental Development, including without limitation an operating reserve fund and capital replacement reserve fund; and

(6) all underlying assumptions for each of the above, including terms, conditions, and pricing of all debt and equity.

(b) Approvals. The Developer shall also submit to the Authority for approval any revisions to the Approved Development Budget for the Development. Pursuant to the Predevelopment Loan Agreement, the Developer shall submit to the Authority for review any and all commitments for financing necessary to undertake the construction of any Development Components and for permanent financing necessary for the Development Components. The Developer shall further submit to the Authority for its reasonable approval copies of any proposed partnership agreements and funding agreements between the Developer, or its Affiliate, and equity investors; any documents proposed to be entered by Developer, or its Affiliate, with respect to any subsidies; and loan agreements and all other documents which Developer, or its Affiliate, and its proposed construction lender(s) and permanent lender(s) propose to execute in connection with such financing for the Development.

(c) No Subordination. The Authority will not approve any subordination of its fee interest in the Property or of the Public Housing Requirements applicable to the Property to the interests of any lender or other funder, subject to the terms of Section 11.3 hereof and the Regulatory and Operating Agreement. Notwithstanding the foregoing, the Authority's Option under Section 11.5 and the deed of trust securing the Owner's obligations under the Authority Loan Documents required pursuant to Section 8.3 shall be subordinate to Owner's construction and permanent financing pursuant to commercially reasonable terms to be negotiated in good faith between the Authority and Developer.

Section 8.2 Predevelopment Loan.

The Developer acknowledges that the Authority has provided a predevelopment loan to finance the activities described in Article 5 and that the predevelopment budget of such loan and the terms governing such loan are described more fully in the Predevelopment Loan Agreement. The Predevelopment Loan will be repaid as provided in the Predevelopment Loan Agreement.

Section 8.3 Financing for Development Components.

(a) Authority Role. Authority shall provide the Owner with a Construction/Permanent HOPE VI Loan for the Development Components, on such terms as the parties determine, subject to security provisions and all provisions required by HUD. The Owner and the Authority shall execute such loan agreements, notes, mortgages, security agreements and other documentation as may be necessary to effectuate this Construction/Permanent HOPE VI Loan. However, there shall be no lien or encumbrance on the Authority's fee interest in the Property Site, except for public housing restrictions and other HUD restrictions.

(1) Authority shall provide the Owner with a Construction/Permanent Loan for the development of the Development Components in such amount as not to exceed that which is generally attributable to the capital cost of the ACC-Assisted Rental Units, as set forth in the Approved Development Budget.

(2) All obligations of the Developer under the Predevelopment Loan Agreement shall be incorporated into the loan agreement for the Construction/Permanent Loan. Upon the making of the Construction/Permanent Loan to the Owner, the promissory note evidencing the Predevelopment Loan shall be cancelled and the outstanding balance thereunder shall be combined with the promissory note evidencing the Construction/Permanent Loan. All obligations of the Developer under the Predevelopment Loan shall be assigned to the Owner that is a signatory to the Construction/Permanent Loan agreement.

(3) Repayment of the Authority's Construction/Permanent Loan shall be made by the Owner from the Development Cash Flow after paying Development Expenses. "Development Expenses" means (1) all necessary and reasonable operating expenses of the Development Components including those shown as line items on Form HUD-92547-A (Budget Worksheet) including debt service requirements of any fixed payment mortgages issued by private lenders or in relationship to City, State and FHLBB subordinate financing and real property taxes; (2) deposits to any lender- or investor- required reserve for replacement; (3) management fees payable pursuant to the Management Agreement; (4) legal and accounting expenses associated with the operation of the Development pursuant to HUD Handbook 4370.2 REV – 1, Financial Operation and Accounting Procedures for Insured Multifamily Developments, or any successor thereto; (5) deferred Developer Fee (if any), general partner and limited partner partnership and/or asset management fees; (6) any amounts paid to tenants as a utility allowance; and (7) any costs incurred by Developer to hire a tenant coordinator to assist tenants at the Development.

(4) The cash flow generated from non-ACC Assisted Rental Units in the Development shall be distributed in the following manner, to be more particularly described in the agreements evidencing the Construction/Permanent HOPE VI Loan: After payment of the Development Expenses, seventy-five percent (75%) of the net cash flow will be distributed to the Authority and twenty-five percent (25%) of the net cash flow will be distributed to the Developer.

(5) The Authority shall disburse its Construction/Permanent HOPE VI Loan in accordance with a disbursement schedule agreement to be entered into between the Authority and the Developer. Such agreement shall require the Developer to reimburse, if applicable the Authority, to the extent of any cost savings, cost reductions and rebates.

(6) The Developer shall at the time of the Closing, provide all guaranties from Developer required by its respective lenders or by investors and agreed upon by Developer, as applicable, including completion (development deficit), operating deficit and tax recapture guaranties. Developer shall also provide Authority with a completion guaranty (the "Developer Guaranty").

(7) Notwithstanding any other provision of this Agreement, funds from the HOPE VI Grant shall be used for the benefit of the ACC-Assisted Rental Units and common elements of the Development Components in accordance with HUD requirements.

(8) The Authority will assist and support in good faith Developer's effort to obtain other public and private financing for the Development.

(b) Developer Role. Developer shall be primarily responsible for seeking all financing for the Development other than the Authority Funds.

(1) The Developer shall make diligent efforts to obtain (a) from CDLAC an allocation for tax-exempt bonds combined with an allocation from TCAC of four percent (4%) Low Income Housing Tax Credits, or (b) from TCAC allocations of Low Income Housing Tax Credits, in such amounts as required by the Approved Development Budget. Developer shall consult with and gain the approval of the Authority before submitting an application to CDLAC, TCAC, or any of the Funding Sources which application shall be consistent with the Revitalization Plan, unless (i) the Authority approves of the application in writing and (ii) the Parties agree in writing to amend the Revitalization Plan as required or approved by HUD if the TCAC or CDLAC application is accepted.

(2) The Developer shall competitively seek equity investment in amounts required by the Approved Development Budget consistent with the provisions of Section 6.1 (a) (6) hereof as to maximize the benefit to the Development, Authority and Developer, all factors considered including the amount, timing, and other terms of contribution, and including the level and timing of the required guarantees to be provided by the Developer. The Developer or its Affiliate may make some or all of the additional equity contribution required for the Development, so long as the terms of the contribution (net of all transaction costs) are equal or superior to those of non-affiliated offerors. The Developer shall select the

investor with the Authority's input pursuant to the Predevelopment Loan Agreement. The Developer shall prepare for the Authority's review a set of selection criteria for potential equity investors and a list of potential equity investors to whom solicitations will be sent. In addition, the Developer shall disclose to the Authority any offers which are received, shall prepare for the Authority's review a comparative analysis of the offers, and will select an investor only after consultation with the Authority. The Authority shall have seven (7) days from the receipt of such criteria and list of equity investors to approve or deny these submissions in its reasonable discretion, and shall provide a reason for any denial. If the Authority fails to approve or deny the criteria and list of equity investors within seven (7) days from their submission, the criteria and list shall be deemed approved.

(3) The Developer shall coordinate the Parties' preparation of, and secure HUD's approval of, a Mixed-Finance Proposal in accordance with 24 CFR Part 941, Subpart F, and all evidentiary documentation required to close thereunder and to utilize public housing funds in accordance with a Mixed-Finance ACC Amendment. The evidentiary documentation, including attorneys' opinions, shall be provided to the Authority for review and approval, shall comply with Public Housing Requirements, and each party shall reasonably agree to any changes required by HUD which do not materially and adversely affect the feasibility of the Development or the level of risk and return to the Developer, Owner or the Authority. Notwithstanding anything herein to the contrary, at its option the Authority shall prepare, for the Developer's review and approval, evidentiary documentation which relates specifically to the Authority-Developer relationship, including but not necessarily restricted to the Ground Lease, Regulatory and Operating Agreement, and loan and security documents.

Section 8.4 Amounts to be Paid.

(a) Amounts to Developer. Developer shall receive a Developer Fee payable from available sources in the amounts and at times to be shown on the final Financing Plan, in the Mixed-Finance ACC Amendment, and on draw schedules to be entered into between the Owner and its lenders, including the Authority. The Developer Fee will be paid solely out of Owner's equity, private debt, cash flow, or other non-HUD Funds, and shall not be an obligation of the Authority. The parties recognize that the amount and timing of fees will require the agreement of the Authority, HUD, and other lenders and investors. Provided that there is no financing shortfall, and subject to the foregoing, the Authority approves the following fees to the Developer:

(b) Developer shall be entitled to receive a Developer Fee from the Owner for the Development of up to $1,440,000 as allowed by TCAC, but in no event shall the amount of the Developer Fee exceed either HUD guidelines or nine percent (9%) of total Development costs, as defined by HUD;

(c) Except as expressly provided elsewhere herein, Developer (or its Affiliate) shall not receive any additional payment for providing goods or services to the Development unless it is with the express written consent of the Authority. Developer will disclose any such proposed relationship to the Authority and will provide the Authority sufficient terms, information about the terms and conditions of the proposed relationship to

enable the Authority to evaluate its propriety and commercial reasonableness.

(d) All payments to be made by Authority pursuant to this Agreement are contingent upon the receipt of funds for the Development. Authority shall not be obligated to pay any moneys in the event that public housing funds are terminated, withheld or are insufficient; provided that Authority shall pursue, with Developer's assistance and cooperation, alternative sources of funding. Authority may suspend the Development until sufficient funding is secured or, if necessary, terminate this Agreement for convenience.

(e) Amounts to the Authority. In general, the Parties recognize that the Authority may receive payments, fees or other returns in connection with the Development contemplated under this Agreement, which payments may derive from or be attributed to any or all of the following: the Ground Lease pursuant to which the Authority leases land under its ownership or control, one or more loans under which the Authority is lender and payee; provision of past or future services; and other sources, without limitation.

The Authority may use income received in connection with the Development as the Authority sees fit, except as specifically provided herein and subject to Applicable Requirements.

ARTICLE 9.
DESIGN

Section 9.1 Design in Conformance with Scope of Development and Schematic Design.

In designing and constructing the Development, the Developer shall cause all subsequent design documents to be consistent with the Scope of Development, attached as Exhibit C, and the Schematic Design, attached as Exhibit D, approved by the Authority. The Scope of Development and the Schematic Design shall establish the baseline design standards from which the Developer shall prepare all subsequent Design Documents.

Section 9.2 Design Documents.

The Developer shall cause its Architect to proceed diligently to prepare design development and construction documents for the proposed Development, consistent with the Scope of Development and the Schematic Design, including, without limitation, such drawings as may reasonably be required to show the location, bulk, height and other principal external features of the proposed Development. In connection with its submittal to the Authority for its approval, the Developer shall provide to the Authority such elevations, sections, plot plans, specifications, diagrams and other design documents ("Design Documents") at each of the stages described in Section 9.3, as may reasonably be required by the Authority for its review. The Design Documents shall incorporate any conditions imposed by the City's planning and entitlements process.

Section 9.3 Submittal and Review of Design Documents.

Within the times set forth in the Schedule of Performance, the Developer shall submit to the Authority the Design Documents in the following stages:

(a) Design Development Drawings. The Design Development Drawings shall be based on the Schematic Design and the Scope of Development. The Design Development Drawings shall indicate estimated structural dimensions, and delineation of site features and elevations, materials and colors, landscaping and other features. The drawings shall fix and describe all design features, as well as the size, character, and quality of the entire Development as to architectural, structural, and mechanical systems. Key details shall be provided in preliminary form.

(b) Final Construction Drawings. Final construction drawings and specifications are to be a continuation of approved Design Development Drawings. The final construction drawings and specifications (the "Final Construction Drawings") must provide all the detailed information necessary to allow for the Developer to obtain the superstructure building permit, and must provide all the detailed information necessary to obtain building or site permits to build the Development including complete building, site and landscape requirements. The Developer shall provide material samples upon the reasonable request of the Authority.

Section 9.4 Development Approvals.

Within the times set forth in Section 9.6, the Authority shall have the right to review and approve the Design Documents. The purpose of the Authority's review of the Design Documents is to ensure consistency with the Scope of Development and the provisions of this Agreement. Provided that the architectural submittals meet the requirements set forth in Section 9.3, the Authority shall be required to approve those Design Documents which are logical progressions from concepts set forth in previously approved Design Documents. For purposes of this Article 9, "approval" means approval of the Authority Executive Director or his or her designee.

Section 9.5 New Material Concerns.

If the Authority determines that there are material changes which are not logical progressions from previously approved Design Documents or which raise material concerns that were not reviewable in previously approved Design Documents, then in approving or disapproving such Design Documents, the Authority shall act in its reasonable discretion.

Section 9.6 Approval Process.

The Authority shall approve or disapprove submittals under this Article 9 within ten (10) business days of receipt of the submittal from the Developer. In the event the Authority disapproves a submittal of the Design Documents pursuant to Section 9.4, the Authority shall submit a list of reasons for such disapproval to the Developer, together with its notice of

disapproval. Upon receipt of such a list, the Developer shall have ten (10) business days to resubmit a revised submission. Again, upon its receipt of a revised submission, the Authority shall have ten (10) business days (or in the event Authority Board action is required as soon as reasonably possible) to approve or disapprove of the revised design. Failure to approve or disapprove within ten (10) business days shall be deemed to be approval of such change.

Section 9.7 No Change in Design Documents.

Once the Authority has approved Final Construction Drawings, the Developer shall not make any changes in those documents which would materially impact the matters set forth in Section 9.3 without the prior written approval of the Authority, which approval shall be granted in the Authority's reasonable discretion and within the time periods set out in Section 9.6; provided, however, that after the commencement of construction, any proposed material change submitted to the Authority for its approval shall be deemed approved if not reasonably disapproved within ten (10) business days following receipt by the Authority, or within three (3) business days involving issues concerning health and safety.

Section 9.8 Submittal and Review of Construction Contract.

Within the times set forth in the Schedule of Performance, the Developer shall submit to the Authority for its approval the proposed construction contract and other Construction Documents for the Development.

Section 9.9 Additional Permits and Approvals.

Within the times specified in the Schedule of Performance, Developer shall obtain all permits and approvals necessary to construct the Development including demolition and building permits. All applications for such permits and approvals shall be consistent with the approved Design Documents. The Developer shall not commence construction under a building or site permit until the Authority has approved the Final Construction Drawings. The Developer acknowledges that execution of this Agreement by the Authority does not constitute approval by the City of any required permits, applications, or allocations, and in no way limits the discretion of the City in the permit, allocation and approval process.

Section 9.10 Authority Review.

The Developer shall be solely responsible for all aspects of Developer's conduct in connection with the Development, including, but not limited to, the quality and suitability of the Plans and Specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the Authority with reference to the Development is solely for the purpose of determining whether the Developer is properly discharging its obligations to the Authority, and should not be relied upon by the Developer or by any third parties as a warranty or representation by the Authority as to the quality of the design or construction of the Development.

ARTICLE 10.
CONSTRUCTION

Section 10.1 Commencement of Construction.

Subject to events of force majeure as defined in Section 16.1(c), the Developer shall commence or cause to be commenced construction of the Development after the Closing and otherwise in accordance with the Schedule of Performance.

Section 10.2 Completion of Construction.

The Developer shall diligently prosecute or cause to be prosecuted to completion the construction of the Development, and shall complete or cause to be completed the construction of the Development no later than the time specified in the Schedule of Performance, subject to events of force majeure as defined in Section 16.1(c).

Section 10.3 Construction Pursuant to Plans.

(a) The Developer shall construct or cause to be constructed the Development substantially in accordance with the Final Construction Drawings and the terms and conditions of all City and other governmental approvals.

(b) Consistent with the provisions of Section 9.7 hereof, the Developer shall submit or cause to be submitted for Authority approval any proposed change in the Final Construction Drawings which materially changes the size, location or elevation of the Development or which would require an amendment to any approval or permits obtained from the City or other governmental agencies.

(c) No change which is required for compliance with building codes or other laws, codes or regulation shall be deemed material. However, the Developer must provide notice to the Authority, in writing, any change that is required for such compliance within ten (10) business days after making such change, and such change shall become a part of the approved Final Construction Drawings, binding on the Developer.

Section 10.4 Construction Bonds.

The Developer shall require its contractor to procure and deliver to the Authority copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, in a penal sum each of not less than one hundred percent (100%) of the scheduled cost of construction of the Development, and one hundred percent (100%) payment bond. Said bonds shall be issued by an insurance company which is licensed to do business in California and has a rating equivalent to AAA or AA+ by an insurance company listed in the current year's Federal Register or as otherwise approved by the Authority. The labor and materials (payment) bond should name both the Authority, and any other lenders as may be required, as a co-obligee or assignee.

Section 10.5 Compliance with Applicable Law.

The Developer shall cause all work performed in connection with the Property to be performed in compliance with (a) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, (including, without limitation, the federal Davis-Bacon Act) and (b) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and the Developer shall be responsible to the Authority for the procurement and maintenance thereof, as may be required of the Developer and all entities engaged in work on the Property.

Section 10.6 Job Training Program.

The Developer shall comply with the job training and recruitment requirements set forth in the Resident Hiring Plan, attached here at Exhibit I, in the Construction of the Development.

Section 10.7 Non-Discrimination During Construction; Equal Opportunity.

The Developer, for itself and its successors and assigns, and transferees agrees that in the Construction of the Development provided for in this Agreement:

(a) It will not discriminate against any employee or applicant for employment because of race, color, creed, religion, national origin, ancestry, disability, medical condition, age, marital status, gender identity status, sex, sexual orientation, HIV status or Acquired Immune Deficiency Syndrome (AIDS) condition or perceived condition, or retaliation for having filed a discrimination complaint (nondiscrimination factors). The Developer will take affirmative action to ensure that applicants are considered for employment by the Developer without regard to the nondiscrimination factors, and that Developer's employees are treated without regard to the nondiscrimination factors during employment including, but not limited to, activities of: upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Developer agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein;

(b) It will ensure that its solicitations or advertisements for employment are in compliance with the aforementioned nondiscrimination factors; and

(c) It will cause the foregoing provisions to be inserted in all contracts for the construction of the Development entered into after the Effective Date of this Agreement; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

Section 10.8 Equal Opportunity/Non-Discrimination in Employment and Contracting Procedures, Including Utilization of Minority and Women Businesses.

The Developer and the Authority acknowledge and agree that it is the policy of the Authority to promote and ensure equal opportunity through employment and in the award of contracts and subcontracts for construction. During the period of this Agreement, the Developer shall not discriminate on the basis of race, color, creed, religion, national origin, ancestry, disability, medical condition, age, marital status, gender identity status, sex, sexual orientation, HIV status or Acquired Immune Deficiency Syndrome (AIDS) condition or perceived condition, in the hiring, firing, promoting or demoting of any person. Subject to the foregoing, the Developer shall employ or select employees, contractors and subcontractors in accordance with the Authority's Equal Opportunity and Nondiscrimination policies attached hereto as Exhibit I.

(a) During the construction of the Development, the Developer shall provide to the Authority such information and documentation as reasonably requested by the Authority.

(b) The Developer shall use reasonable efforts to monitor and enforce, or shall cause its general contractor to monitor and enforce, the equal opportunity requirements imposed by this Agreement. In the event, after notice from the Authority and an opportunity to cure such failure as set forth in Article 12 of this Agreement, the Developer fails to use reasonable efforts to monitor or enforce these requirements, the Authority may declare the Developer in default of this Agreement and pursue any of the remedies available under this Agreement.

(c) The Developer shall adhere to the Valencia Gardens Resident Hiring Plan, which is attached hereto as Exhibit I.

(d) As requested, the Authority shall provide such technical assistance necessary to implement this Section 10.8.

Section 10.9 Prevailing Wages.

In the Construction of the Development, for all on-site and adjacent construction activities, the Developer shall pay and assure that all contractors and subcontractors pay the general prevailing rate of per diem wages, as determined by the U.S. Labor Department pursuant to the federal Davis-Bacon Act and implementing rules and regulations. The Developer shall comply with all applicable reporting and record keeping requirements.

Section 10.10 Progress Reports.

Until such time as the Developer is entitled to the issuance of a Certificate of Occupancy by the City, the Developer shall provide the Authority with quarterly progress reports, or as required by HUD, or as reasonably requested in writing by the Authority, regarding the status of the construction of the Development.

Section 10.11 Entry by the Authority.

The Developer shall permit the Authority, through its officers, agents, or employees, to enter the Property at all reasonable times and in a safe, unobtrusive manner to review the work of construction to determine that such work is in conformity with the approved Final Construction Drawings or to inspect the Property for compliance with this Agreement. The Authority is under no obligation to (a) supervise construction, (b) inspect the Property, or (c) inform the Developer of information obtained by the Authority during any review or inspection, and the Developer shall not rely upon the Authority for any supervision, inspection, or information.

Section 10.12 Taxes.

At all times both prior to and after obtaining any applicable property tax exemptions, the Developer shall pay, prior to delinquency, all real property taxes and assessments assessed and levied on the Property after the Developer takes title to the Property or portions thereof, and shall remove any levy or attachment made on the Property. The Developer may, however, contest the validity or amount of any tax, assessment, levy, attachment or lien on the Property.

Section 10.13 Hazardous Materials.

(a) Certain Covenants and Agreements. The Developer hereby covenants and agrees that:

(1) The Developer shall not knowingly permit the Development or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Development in violation of any applicable law; provided however that, for the purposes of this subsection (a) only, the term "Hazardous Materials" shall not include: materials located in, on or under the Property as of the date hereof, materials in reasonable quantities for lawful use in the demolition of the Existing Improvements and other work required under and governed by the PSA; reasonable quantities of gardening materials, household products, construction supplies and materials, office supply products or janitorial supply products of the type customarily used in construction, maintenance, demolition, or associated with buildings and grounds, or typically used in household activities or the commercial establishments on the Property, so long as used in a lawful manner; certain substances which may contain chemicals listed by the State of California pursuant to Health and Safety Code Sections 25249.8 et seq., which substances are commonly used in reasonable quantities and in a lawful manner by a significant portion of the population living within the region of the Property.

(2) The Developer shall keep and maintain the Development and each portion thereof in compliance with, and shall not cause or permit the Development or any portion thereof to be in violation of, any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same the Developer shall immediately advise the Authority in writing of:

(A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Developer or the Development pursuant to any applicable Hazardous Materials Laws;

(B) any and all claims made or threatened by any third party against the Developer or the Development relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims");

(C) the presence of any Hazardous Materials in, on or under the Development in such quantities which require reporting to a government agency; or

(D) the Developer's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Development classified as "border zone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Development under any Hazardous Materials Laws. If the Authority reasonably determines that the Developer is not adequately responding to any Hazardous Materials Claims, the Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Developer.

(4) Without the Authority's prior written consent, which shall not be unreasonably withheld or delayed, the Developer shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) No Limitation. The Developer hereby acknowledges and agrees that the Developer's duties, obligations and liabilities under this Agreement are in no way limited or otherwise affected by any information the Authority may have concerning the Development and/or the presence within the Development of any Hazardous Materials, whether the Authority obtained such information from the Developer or from its own investigations.

(c) Developer Indemnity. Upon completion of the Preconstruction Work as defined in the PSA, the Developer hereby agrees to indemnify, protect, hold harmless and defend the Authority, its board members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement

actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs) (hereinafter, "Claims"), arising directly or indirectly, in whole or in part, out of: (1) any action or omission of the Developer or any other person or entity acting under the authority or control of the Developer, other than any indemnitee, relating to Hazardous Materials on, under or about the Development, including the failure to comply with any Hazardous Materials Law or relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Development but excluding any matter with respect to Known Hazardous Materials; or (2) the presence in, on or under the Development of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Development, excluding any pre-existing Hazardous Materials on the Property identified in the Site Mitigation Plan attached hereto as Exhibit F, as that plan may be mutually amended by the parties ("Known Hazardous Materials") (except to the extent that any Claim in connection with Known Hazardous Materials results from the negligent act or omission of the Developer). The Developer shall not be obligated to indemnify the Authority under this provision with respect to, and to the extent of, the gross negligence or willful misconduct of the Authority, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

The provisions of paragraph (c) of this Section 10.13 shall survive the termination of this Agreement and be incorporated into the Ground Lease.

Section 10.14 As-Is Conveyance.

(a) Any ground lease to Developer shall be made "AS IS," with no warranties or representations by the Authority concerning the condition of the Property, including the presence or absence of any Hazardous Materials except as provided in Section 10.13. Developer hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by Authority: (i) neither Authority, nor anyone acting for or on behalf of Authority, has made any representation, statement, warranty or promise to Developer concerning the development potential or condition of the Property; (ii) in entering into this Agreement, Developer has not relied on any representation, statement or warranty of Authority, or anyone acting for or on behalf of Authority, other than as may expressly be contained in writing in this Agreement; (iii) all matters concerning the Property have been or shall be independently verified by Developer and that Developer shall purchase or lease the Property on Developer's own prior examination thereof; and (iv) THAT DEVELOPER IS LEASING THE PROPERTY, AS APPLICABLE, IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

(b) General Release. Subject to Section 10.14(a) above, Developer and its owners, employees, agents, assigns and successors agree that upon the Closing, Developer shall be deemed conclusively to have released and discharged Authority and its agents, employees, trustees, assigns and successors, from any and all damages, losses, demands, claims, debts, liabilities, obligations, causes of action and rights, whether known or unknown, by Developer regarding the Property, including, but not limited to, the environmental condition of the Property, except with respect to Known Hazardous Materials as that term is defined in Section

10.13(c).

(c) Waiver of Civil Code § 1542. Developer agrees that, with respect to the General Release contained in Section 10.14(b) above, the General Release extends to all matters regarding the Property, whether or not claimed or suspected, to and including the date of execution hereof, and constitutes a waiver of each and all the provisions of the California Civil Code § 1542, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Developer herein acknowledges that the effect and import of the provisions of Civil Code § 1542 have been explained to it by its own counsel. Developer understands and acknowledges the significance and the consequence of such specific waiver of unknown claims and hereby assumes full responsibility for any injuries, damages, losses or liabilities that it may hereinafter incur from the waiver of these unknown claims.

Section 10.15 Environmental Work.

The Developer shall be responsible for performing the work of any investigation and remediation on the Property which may be required in order to develop the Development. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation, the Authority and the Developer. The Developer shall notify the Authority promptly upon discovery of any actionable levels of Hazardous Materials, and upon any release thereof, and shall consult with the Authority in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. The Developer shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Materials. The investigation and remediation work shall be carried out in accordance with all applicable laws (including Environmental Laws) and such other procedures and processes as may be described in this Agreement.

Section 10.16 City and Other Governmental Authority Permits.

Before the commencement of construction or development of any buildings, structures or other work of improvement upon the Development Site, the Developer shall, at its own expense, secure or cause to be secured any and all permits or other authorizations which may be required by the City or any other governmental agency regulating such construction, development or work. The Authority shall provide all assistance deemed appropriate by the Authority to the Developer in securing these permits.

Section 10.17 Zoning of the Development Site.

It shall be the responsibility of the Developer at the Developer's sole cost and expense, to ensure that the zoning of the Property shall be such as to permit the development and use of the Property in accordance with the provisions of this Agreement. The Authority shall cooperate with the Developer in seeking any variances, conditional use permits, parcel maps or other discretionary approvals needed to implement this Agreement.

Section 10.18 Mitigation Monitoring Plan.

The Developer shall comply with any mitigation monitoring plan imposed by the City or adopted by the Authority concurrently with its approval of this Agreement as that program may be amended from time to time.

Section 10.19 Liens.

Without the prior written consent of Authority and HUD, Developer shall not place a lien or other encumbrance on the Development; nor pledge the Development as collateral for any debts or financing.

ARTICLE 11.
OWNERSHIP, OPERATION AND DISPOSITION OF HOUSING DEVELOPMENT

Section 11.1 Ownership.

Rental housing units developed or acquired hereunder shall be owned by the Owner (as defined below) and all net income therefrom shall be subject to the terms and provisions of the documents governing the operation of the Development, including the Regulatory and Operating Agreement. The parties intend that the Limited Partnership, will be the owner of the Development. During the construction period and until the Certificate of Occupancy is issued, the Developer or the Developer's Affiliate will be the sole general partner, the Authority's Affiliate will be a special limited partner, and the Tax Credit Investor will be the other limited partner in the Limited Partnership. Upon the issuance of the Certificate of Occupancy by the City, the Authority Affiliate will withdraw from the Limited Partnership as a special limited partner, and will be admitted into the Limited Partnership as a co-general partner. The Developer or the Developer's Affiliate will remain a general partner and serve as the managing general partner in the Limited Partnership. The Limited Partnership agreement shall provide that the Authority Affiliate, either as special limited partner or as co-general partner, shall approve any amendment of the tenant selection criteria, local hiring policies, affordability levels of the Development units, the application of the Public Housing Requirements to the Development or to effect any sale, lease, refinancing or transfer of the Development, all subject to the rights of lenders.

Section 11.2 Management of Limited Partnership.

Developer or the Developer's Affiliate will serve initially as the sole general partner of the Limited Partnership and shall exercise day-to-day authority over the routine operations of the Limited Partnership. Once the Authority or the Authority's Affiliate is admitted as a co-general partner, it will assume certain responsibilities, to be specified in the Limited Partnership Agreement.

Section 11.3 Regulatory and Operating Agreement.

The Mixed-Finance Rental Development shall be subject to a Regulatory and Operating Agreement through the recordation of a Declaration of Trust or longer restriction against the Property. The Regulatory and Operating Agreement will include the following provisions, among others:

(a) The ACC-Assisted Rental Units shall be operated in accordance with Public Housing Requirements.

(b) To the maximum extent permissible consistent with statutory and regulatory rights of public housing applicants and residents, Owner will employ selection, admission and occupancy standards, rent policies, lease provisions, and other management practices which represent best practices in the private sector, require accountability and self-sufficiency efforts of residents of the ACC-Assisted Rental Units to the maximum extent possible, and contribute to the success of the mixed-income community. The Authority shall have the right to review and approve all policies and lease documents of the ACC-Assisted Rental Units (including, but not necessarily restricted to, the Owner's form of lease, management agreement, management plan, and any policies substantially relating to statutory or regulatory rights of public housing residents, such as admissions policies, continued occupancy policies, and grievance procedures).

(c) Owner will draw applicants for the ACC-Assisted Rental Units in the Development, first from Prior Residents, and then from a site-based waiting list, subject to applicable HUD requirements and subsequent approval by the Authority, and shall utilize screening and selection criteria approved by the Authority as set forth in the preceding subsection.

(d) To the extent necessary, the Authority will provide to the Mixed-Finance Rental Development, on a monthly basis, an operating subsidy for the ACC-Assisted Rental Units, calculated in the manner provided in the Regulatory and Operating Agreement.

(e) The Mixed-Finance Rental Development will have an Affordability Reserve, as described in Section 7.3, sized as a multiple of projected annual operating subsidy need, as the parties may agree. The Affordability Reserve will be available to secure payment of the Authority's operating subsidy. The Affordability Reserve will be the property of the Authority and will be funded with amounts available through the Approved Development Budget. Notwithstanding the above, any method for funding the Affordability Reserve will be

consistent with development cost limits under TCAC or HUD rules. The Owner will have access to the Affordability Reserve in prescribed circumstances, such as certain shortfalls in operating subsidy for the ACC-Assisted Rental Units, as the parties may agree in the Regulatory and Operating Agreement.

(f) All other reserves, as required by lenders, investors or customary practices, will be funded by the Owner out of equity and/or operating income, provided that funds provided under Section 9 of the Housing Act of 1937, as amended, may not be used to establish an operating subsidy reserve, and provided further, that such funds can be used to replenish an operating subsidy reserve only to the extent of any draw-down.

(g) In order to protect the Mixed-Finance Rental Development's compliance with the Public Housing Requirements and its economic viability for the longest feasible time, the Regulatory and Operating Agreement will provide for an adjustment of the income and rent limitations (as permitted by HUD) applicable to the Mixed-Finance Rental Development in the event that the ACC subsidy assistance to the Mixed-Finance Rental Development is reduced or is terminated. The Ground Lease will provide for an adjustment of the income and rent limitations (as permitted by HUD) applicable to units other than the ACC-Assisted Rental Units in the event Project-based Section 8 assistance to the Mixed-Finance Rental Development is reduced or eliminated.

Section 11.4 Property Management.

(a) The Developer's process and selection of a management agent, and the terms of any management agreement and management plan, will be subject to the Authority's review and approval.

(b) The Parties agree that the Owner shall be responsible for all property management of the Development, subject to any labor union requirements which the Authority is required to impose on the Development. The Owner shall retain the right to contract with a third party for property management services, subject to the approval of the Authority, which shall not be unreasonably withheld. The Management Plan for the Development during this time period shall be approved by the Authority and HUD.

(c) The Authority shall be responsible for monitoring the Owner's management of the Development to ensure that any displaced Valencia Gardens residents are given the opportunity to return to the units upon completion of the Development. The return of such tenants shall be done in a manner consistent with the Valencia Gardens Management Plan approved by the Authority and HUD. Failure of the Owner to meet this obligation shall be an Event of Default, and shall trigger the Authority's right to replace the Owner's management agent for the Development.

(d) Property management fees will not exceed industry norms for comparable services involving similar subsidized housing properties in the San Francisco market. The property manager will be subject to removal based upon strict performance-based standards, including high performance under the Public Housing Assessment System or any successor

HUD system.

(e) The Owner shall comply with the Authority's trade labor union hiring requirements.

Section 11.5 Option and Right of First Refusal.

Following the close of the Tax Credit Compliance Period and subject to the approval of the investors, the Authority or the Authority Affiliate shall have an option (the "Option") to acquire the entire fee interest in the Mixed-Finance Rental Development located on the Property (and the lessee's interest in the Ground Lease) for (i) the sum of outstanding indebtedness, which shall be accomplished by the Authority's assumption of such indebtedness, and limited partners' exit tax liability with a target level of such taxes established by the Authority that the Owner will make reasonable efforts not to exceed, or (ii) (if higher) the minimum price permitted by the Internal Revenue Code without jeopardizing tax benefits promised to investors. Developer and the Authority (i) shall provide for the Authority's assumption of the outstanding indebtedness in the lender's loan documents, and (ii) shall make diligent efforts to structure the transaction with investors so as to minimize the exit tax liability. In addition, the Authority shall have a right of first refusal ("Right of First Refusal") with respect to transfer of the Mixed Rental Development to third parties. The terms of the Option and Right of First Refusal shall be negotiated between the Parties prior and as a condition precedent to the Closing. Developer shall include the desired terms of the Authority's Option and Right of First Refusal in any solicitation for investor commitment letters distributed to potential investors pursuant to Section 8.3(b) of this Agreement.

ARTICLE 12.
OBLIGATIONS WHICH CONTINUE THROUGH AND BEYOND THE COMPLETION OF CONSTRUCTION

Section 12.1 Non-Discrimination.

The Developer covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or of the Development by the Developer, nor shall the Developer or any person claiming under or through the Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessee or vendees of the Property or of the Development.

Section 12.2 Mandatory Language in All Subsequent Deeds, Leases and Contracts.

All deeds, leases or contracts entered into by the Developer, or its Affiliate, on or after the date of execution of this Agreement as to any portion of the Property shall contain the following language:

(a) In Deeds: "Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessee or vendees in the property herein conveyed. The foregoing covenant shall run with the land."

(b) In Leases (except for leases from any Owner to a residential tenant): "The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns and all persons claiming under the lessee or through the lessee that his lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessee, subtenants, or vendees in the land herein leased."

(c) In Contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessee, or vendees of the land."

Section 12.3 Employment Opportunity.

During the operation of the Development, there shall be no discrimination by the Developer on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, or handicap in the hiring, firing, promoting, or demoting of any person engaged in the operation of the Development.

Section 12.4 Selection of Professionals, Contractors and Consultants.

(a) General. In no event shall Developer contract with any party which has been debarred or suspended by HUD under 24 CFR part 24. All contracts entered into by the Developer with third parties shall contain all standard provisions required by HUD and shall otherwise be consistent with the requirements of this Agreement.

(b) Prohibited Arrangement. The Authority and Developer hereby represent and warrant that: (i) if there is an identity of interest between the Developer and the General Contractor, the Authority has demonstrated to HUD's satisfaction that the General Contractor was the lowest bidder in response to solicitation; or (ii) HUD has provided a written waiver of the certification requirement of 24 CFR § 941.606(n)(1)(ii)(B).

(c) MBE and WBE Participation. To achieve greater participation of minority business enterprises ("MBEs") and women's business enterprises ("WBEs") in contracts administered directly or indirectly by the Authority pursuant to Executive Orders 11625 and 12138, the Developer agrees to use its good faith best efforts to:

(1) place qualified MBEs and WBEs and small business concerns on solicitation lists;

(2) divide the Development Services into smaller tasks or quantities to permit maximum participation by MBEs and WBEs and small business concerns;

(3) use the services and assistance of the U.S. Small Business Administration, the Minority Business Development Agency of the U.S. Department of Commerce, any local minority assistance organizations and various state and local government small business agencies;

(4) comply with such additional requirements relating to MBEs, WBEs, and Section 3 as set forth in the hiring and training plans developed by the Partnership, and approved by the Authority (the "Hiring and Training Plans").

(d) MBE/WBE Report. Each quarter, Developer shall, and shall cause each subcontractor to prepare and submit to the Limited Partnership the Section 3, MBE and WBE Report in the form prescribed by the Partnership.

(e) Section 3. Developer shall, and to the extent practicable shall require its subcontractors to, ensure that employment opportunities shall be directed to (1) low-income housing residents of Valencia Gardens, then (2) the Authority's other Section 8 and public housing residents, then (iii) low income residents of the City in accordance with the Hiring and Training Plans.

ARTICLE 13.
NON-DISCRIMINATION AND OTHER FEDERAL AND STATE REQUIREMENTS

Section 13.1 Certain Requirements.

Developer will comply with all applicable state and federal laws, rules and regulations, including but not limited to the requirements of the following, as the same may be amended from time to time:

(a) The Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 CFR Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 CFR Part 107; the fair housing poster regulations, 24 CFR Part 110, and advertising guidelines, 24 CFR Part 109.

(b) Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d, and regulations issued thereunder relating to nondiscrimination in housing, 24 CFR Part 1.

(c) Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and regulations issued thereunder, 24 CFR Part 146.

(d) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794, and regulations issued thereunder, 24 CFR Part 8; the Americans with Disabilities Act, 42 U.S.C. 12181-89, and regulations issued thereunder, 28 CFR Part 36.

(e) Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, and its implementing regulations at 24 CFR Part 135.

Section 13.2 Access to Records.

(a) Recordkeeping; Access. Developer's books and records pertaining to its performance under this Agreement shall be kept in accordance with generally accepted accounting principles and as required by the Applicable Requirements, and shall be retained for at least three years after the Authority makes final payment to Developer under this Agreement and all other pending matters are closed. Developer agrees to grant a right of access to the Authority, HUD, any agency providing funds to Authority, the Comptroller General of the United States, and any of their authorized representatives, with respect to any books, documents, papers, or other records pertinent to this Agreement in order to make audits, examinations, excerpts, and transcripts.

(b) Audit. Authority, HUD, any agency providing funds to Authority, the Comptroller General of the United States, or any of their duly authorized representatives, shall have the right to perform any audit of Developer's finances and records related to its performance under this Agreement, including without limitation, the financial arrangement with anyone Developer may delegate to discharge any part of its obligations under this Agreement.

(c) Contractors. Developer agrees to ensure that the recordkeeping, access,

audit and reporting requirements set forth in this Article 13 are also made legally binding upon any contractor or subcontractor that receives funds derived from the Authority in connection with the Development.

(d) The period of access and examination under this Section 13.2 records relating to (1) litigation or settlements of disputes arising from the performance of this Agreement, or (2) costs and expenses of this Agreement to which the Authority, HUD or Comptroller General or any of their duly authorized representatives has taken exception shall continue until disposition of such appeals, litigation, claims, or exceptions.

Section 13.3 Interest of Members of Congress.

No Member of or delegate to the Congress of the United States shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

Section 13.4 Interest of Member, Officer, or Employee and Former Member, Officer, or Employee of Authority.

No member, officer, or employee of the Authority, no member of the governing body of the locality in which the Development is situated, no member of the governing body by which the Authority was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the Development, shall, during his or her tenure, or for one year thereafter or such longer time as the Authority's Code of Ethics may require, have any interest, direct or indirect, in this Agreement or the proceeds thereof, unless the conflict of interest is waived by the Authority and by HUD.

Section 13.5 Developer Conflict of Interest.

Developer covenants that neither it nor any of its directors, officers, partners or employees has any interest, nor shall acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of the services hereunder. Developer further covenants that in the performance of this Agreement, no person having such interest shall be employed by it. Notwithstanding the foregoing, nothing herein shall prevent Developer or any of its members or affiliates from (1) engaging in other development Developments in the San Francisco area or elsewhere, (2) competing for or undertaking any other HOPE VI or similar Development in any other city, or (3) acting as a consultant or contractor to HUD under the HOPE VI program.

Section 13.6 Lobbying Activities.

The Developer shall comply with 31 USC § 1352 which prohibits the use of Federal appropriated funds to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract; the making of any Federal grant; the making of any Federal loan; the entering into of any cooperative agreement; or the modification

of any Federal contract, loan, or cooperative agreement. The Developer further agrees to comply with the requirement of such legislation to furnish a disclosure (OMB Standard Form LLL) if any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress, in connection with a Federal contract, grant, loan, or cooperative agreement, which payment would be prohibited if made from Federal appropriated funds.

ARTICLE 14.
ROLE OF HUD

Section 14.1 HUD Approval.

The parties hereto acknowledge that this Agreement, the Closing and the consummation of the transactions contemplated by this Agreement are subject to HUD approval. Developer and the Authority agree to cooperate to obtain all necessary HUD approvals and acknowledge that HUD approvals must be obtained as a condition precedent to certain obligations contained herein. Nothing herein shall be understood to authorize or obligate the Authority or Developer to act in the absence of required HUD approvals, and the parties acknowledge that HUD's approval of this Agreement will not constitute approval of particular transactions which by their nature require specific HUD approval following a submission of particulars.

Section 14.2 Transfer Not An Assignment.

The Authority and Developer acknowledge that any transfer of HUD grant funds by the Authority to Developer shall not be or be deemed to be an assignment of grant funds, and Developer shall not succeed to any rights or benefits of the Authority under the ACC or HOPE VI Grant Agreement, or attain any privileges, authorities, interests, or rights in or under the ACC or HOPE VI Grant Agreement.

Section 14.3 Disclaimer of Relationships.

Nothing contained in the ACC, the HOPE VI Grant Agreement or this Agreement nor any act of HUD or the Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Authority as provided under the terms of the ACC or HOPE VI Grant Agreement, as appropriate.

Section 14.4 Applicability to Other Contracts.

Developer agrees to ensure that Sections 14.2 and 14.3 of this Article 14 are inserted into any contract or subcontract involving the use of HUD funds in connection with the Development.

ARTICLE 15.
INSURANCE

Section 15.1 Developer.

Developer shall maintain and keep in force insurance, of the following types:

(a) Worker's Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars ($1,000,000) each accident.

(b) "All Risk" insurance against loss or damage by fire, flood and such other risks and matters, including without limitation, business interruption, rental loss, public liability, and boiler damage and liability. The amount of such insurance will not be less than 100% of the full replacement value of the Development, including the cost of debris removal, without deduction for depreciation.

(c) Commercial General Liability insurance with limits not less than Five Million Dollars ($5,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(d) Commercial Automobile Liability insurance with limits not less than One Million Dollars ($1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable; provided, however, that if the Developer does not own or lease vehicles for purposes of this Agreement, then no automobile insurance shall be required.

(e) The insurance coverages set forth in Part B, Attachment VII of the ACC, if Authority determines that exposure exists. All such insurance shall provide that Authority be given 30 days prior written notice of any renewal, termination, cancellation, or other change to such policies.

(f) The Borrower shall cause architects working on the Development under direct contract with the Borrower to maintain insurance of the types and in at least the minimum amounts described in subsections (a), (b), (c) and (d) above, except that the limit of liability for design professional liability insurance for architects whose contract does not exceed $500,000 shall be Five Hundred Thousand Dollars ($500,000) per occurrence, and the limit of liability for design professional liability insurance for architects whose contract is between $500,001 and $1,000,000 shall be One Million Dollars ($1,000,000) per occurrence, and the limit of liability for design professional liability insurance for architects whose contract is more than $1,000,000 shall be Two Million Dollars ($2,000,000).

(g) The required insurance shall be provided under an occurrence form, and

Developer shall maintain such insurance until Construction Completion. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit that does not apply separately to this Development or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be twice the occurrence limits specified above.

(h) Commercial General Liability, Commercial Automobile Liability and Property insurance policies shall be endorsed to name as an additional insured the Authority and its officers, agents, employees and members of the Authority Commission.

(i) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the Authority.

(j) Each policy shall name the Authority as an additional insured and, in instances where the Authority is acting as a lender, as a loss payee. Each such policy shall be underwritten and issued by companies authorized to do business in California, with Best's Rating of at least A:VII or better. Developer shall provide the Authority with certificates of insurance evidencing the limits and coverages required by this Article 15.

ARTICLE 16.
TERMINATION FOR CAUSE

Section 16.1 Events of Default by the Developer.

(a) The following shall constitute an Event of Default by the Developer:

(1) if Developer shall fail to use diligent efforts comply with the Schedule of Performance (other than due to Force Majeure as defined in Section 16.1(c)) and such failure shall continue after expiration of the notice and cure period set forth in Section 16.3(a); or

(2) if Developer shall materially breach or fail to diligently pursue its obligations under this Agreement (other than due to Force Majeure as defined n Section 16.1(c)) and such failure shall continue after expiration of the notice and cure period set forth in Section 16.3(a);

(3) if the Developer (i) is or becomes insolvent or bankrupt or otherwise ceases to pay its debts as they mature or makes any arrangement with or for the benefit of its creditors or consents to or acquiesces in the appointment of a receiver, trustee or liquidator for the Development or for any substantial part of it; (ii) institutes any bankruptcy, winding up, reorganization, insolvency, arrangement or similar proceeding under the laws of any jurisdiction, or any such proceeding is instituted against the Developer in any jurisdiction which is not stayed or dismissed within 90 days after its institution; (iii) files any action or answer admitting, approving or consenting to any such proceeding; (iv) becomes subject to levy of any

distress, execution or attachment upon its property which interferes with its performance hereunder, and the Developer fails within 30 days to discharge such levy, execution or attachment, or to substitute another entity (whether or not an Affiliate) acceptable to the Authority to perform the obligations of the Developer without material delay in performance; or (v) is convicted of any criminal offense or violation of law.

(b) A material Event of Default hereunder by the Developer with respect to any portion of the Property shall constitute an Event of Default by the Developer for which the Authority may exercise any of its remedies under this Agreement with respect to the Developer and the entire Property.

(c) For purposes hereof, "Force Majeure" shall mean causes beyond the control and without the fault or negligence of Developer. Such causes shall include without limitation: (i) acts of God, or of the public enemy, (ii) court order, acts, delays, failure or refusal to act on the part of a governmental entity in either its sovereign or contractual capacity, (iii) acts of a contractor other than Developer, or subcontractor, in the performance of an agreement with the Authority (and not pursuant to a contract with the Developer), (iv) riots, war or acts of terrorism, (v) fires, (vi) floods or earthquakes, (vii) epidemics, (viii) quarantine restrictions, (ix) strikes or lockouts, (x) freight embargoes, (xi) litigation, (xii) non-issuance of permits, (xiii) lack of HUD approval, (xiv) unusually severe weather, (xv) the presence of hazardous materials or archeological finds on the Property, or (xvi) delays of subcontractors or suppliers at any tier arising from unforeseeable causes.

Section 16.2 Events of Default by the Authority.

(a) It shall be an Event of Default by the Authority if the Authority shall fail to use diligent efforts to perform its obligations under this Agreement and such failure shall continue after expiration of notice and cure periods set forth in Section 16.3(a).

(b) It shall not be an Event of Default if any failure by Authority arises from the Force Majeure. For purposes hereof, "Force Majeure" shall mean causes beyond the control and without the fault or negligence of Authority. Such causes shall include without limitation: (i) acts of God, or of the public enemy, (ii) court order, acts, refusal, delay or failure to act on the part of a governmental entity (other than the Authority) in either its sovereign or contractual capacity, (iii) acts of another contractor or subcontractor in the performance of an agreement with the Developer (and not pursuant to a contract with the Authority or an affiliate of Authority), (iv) riots, war or acts of terrorism, (v) fires, (vi) floods or earthquakes, (vii) epidemics, (viii) quarantine restrictions, (ix) strikes or lockouts, (x) freight embargoes, (xi) litigation, (xii) non-issuance of permits, (xiii) lack of HUD approval, (xiv) unusually severe weather, (xv) the presence of hazardous materials of archeological finds on the Property, or (xvi) delays of subcontractors or suppliers at any tier arising from unforeseeable causes.

Section 16.3 Procedure for Termination For Cause/Remedies.

(a) The occurrence of any event described in Sections 16.1(a)(1) or (2) or 16.2(a) shall not constitute an Event of Default unless the non-defaulting party has delivered

notice of default to the defaulting party, and such defaulting party shall failure to cure the default within thirty (30) days from its receipt of such notice or, if such cure cannot reasonably be completed within such thirty (30) day period, fails to commence such cure or having commenced, does not prosecute such cure with diligence and dispatch to completion within a reasonable time period thereafter, provided that such time period does not exceed 120 days.

(b) Upon the occurrence of an Event of Default by either party, the non-defaulting party shall be entitled to all remedies permitted by law or at equity, including but not limited to specific performance.

(c) Except with respect to any rights and remedies and expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties to this Agreement, whether provided by law, in equity or by this Agreement, are cumulative, and not in derogation of other rights and remedies found in this Agreement and, after Closing, in the Ground Lease. The exercise by either party of any one or more of such remedies will not preclude the exercise by it, at the same or a different time, of any other such remedies for the same default or breach or of any of its remedies for any other default or breach by the other party. No waiver made by either party with respect to the performance, or manner or time of performance, or any obligation of the other party or any condition to its own obligation under this Agreement will be considered a waiver with respect to the particular obligation of the other party or condition to its own obligation beyond those expressly waived to the extent of such waiver, or a waiver in any respect in regard to any other rights of the party making the waiver or any other obligations of the other party.

ARTICLE 17.
TERMINATION FOR CONVENIENCE

Section 17.1 Termination for Convenience by Authority.

(a) Authority may terminate this Agreement in whole, or from time to time in part, for the convenience of Authority whenever Authority determines in good faith that it is infeasible or contrary to the interests of the Authority to proceed with the Development. Any such termination shall be effected by delivery to Developer of a written notice of termination specifying the extent to which the performance of the work under the Agreement is terminated, and the date upon which such termination becomes effective, which shall not be less than 20 days following delivery of all such notices. If the Authority terminates this Agreement in part, and the Developer deems the performance of the remaining part infeasible in its sole judgment and discretion, then the Developer shall so inform the Authority and the prior notice of termination for convenience will be deemed withdrawn unless the Authority within ten days shall deliver a notice of termination for convenience as to the entire remaining portion.

(b) In the event of a termination for convenience under this Article, the Authority shall be liable to Developer for reasonable and proper costs resulting from such termination which costs shall be paid to Developer within 30 days of receipt by the Authority of a properly presented claim setting out in detail: (i) the total cost of all third-party costs incurred

to date of termination; (ii) the cost (including reasonable profit) of settling and paying claims under subcontracts and material orders for work performed and materials and supplies delivered to the site, or for settling other liabilities of Developer incurred in performance of its obligations hereunder; (iii) the cost of preserving and protecting the work already performed until the Authority or its assignee takes possession thereof or assumes responsibility therefore; (iv) the actual or estimated cost of legal and accounting services reasonably necessary to prepare and present the termination claim to the Authority; and (v) fair compensation to Developer for all tasks performed to date, but with a setoff for sums previously paid by Authority as Developer compensation, or otherwise reimbursed.

(c) Survival. The liability of any party for a breach of this Agreement under this Article 17 shall survive the termination of this Agreement.

(d) Delivery of Plans and Specifications and Agreements. If this Agreement is terminated, the Developer, at no additional cost to the Authority, shall deliver to the Authority copies of any Plans and Specifications and studies in the Developer's possession or to which the Developer is entitled for construction of the Development to be built on the Property, and shall obtain from the architect of such Plans and Specifications, studies, any approvals relevant to the Property.

Section 17.2 Release.

Developer will provide the Authority with a full release and hold harmless acceptable to the Authority upon payment of the reasonable and proper costs resulting from termination.

ARTICLE 18.
INTENTIONALLY OMITTED

ARTICLE 19.
PARTIES' DISPUTES

Section 19.1 Definition of Claim Governed by Dispute Clause.

"Claim," as used in this clause, means a written demand or written assertion by one of the Parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of Agreement terms, or other relief arising under or relating to this Agreement. A claim arising under the Agreement, unlike a claim relating to the Agreement, is a claim that can be resolved under the Agreement clause that provides for the relief sought by the claimant. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim. The submission may be converted to a claim by complying with the requirements of this Article, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

Section 19.2 Applicability of Dispute Clause.

Except for disputes arising under applicable labor standards (i.e., Davis-Bacon statute) all disputes arising under or relating to this Agreement, including any claims for damages for the alleged breach thereof which are not disposed of by the Agreement, shall be resolved under this Article.

Section 19.3 Written Claims to be Submitted to Contracting Officer.

All claims by Developer shall be made in writing and submitted to the Contracting Officer identified in Section 19.7 for a written decision.

Section 19.4 Notice of Decision or Decision Date.

The Contracting Officer shall, within 15 days after receipt of the request, decide the claim or notify Developer of the date by which the decision will be made. In no event shall the Contracting Officer render a decision later than 60 days from the receipt of the request.

Section 19.5 Effect of Contracting Officer's Decision.

The Contracting Officer's decision shall be final unless Developer files suit in a court of competent jurisdiction within the applicable statue of limitations.

Section 19.6 Developer's Duty to Perform Pending Claim Resolution.

Taking into account the matter in dispute, the Developer shall proceed diligently with performance of this Agreement, pending final resolution of any request for relief, claim, appeal, or action arising under or relating to the Agreement, and comply with any decision of the Contracting Officer.

Section 19.7 Identification of Contracting Officer.

For purposes of this Agreement, Authority's Contracting Officer shall be Gregg Fortner, his written designee, or his successor as Authority Executive Director.

ARTICLE 20.
SECURITY FINANCING AND RIGHTS OF HOLDERS

Section 20.1 No Encumbrances Except for Development Purposes.

Notwithstanding any other provision of this Agreement, mortgages and deeds of trust, or any other reasonable method of security, are permitted to be placed upon the Owner leasehold interests in the Property and fee interests in the Development, but only for the purpose of securing loans pursuant to the approved Financing Plan. Mortgages, deeds of trust, or other reasonable security instruments securing loans approved by the Authority pursuant to the

approved Financing Plan are each referred to as a "Security Financing Interest." The words "mortgage" and "deed of trust" as used in this Agreement include all other appropriate modes of financing real estate acquisition, construction, and land development, including any such other modes used pursuant to the approved Financing Plan. The limitation of this Section 20.1 shall not apply to any public agency regulatory agreements.

Section 20.2 Holder Not Obligated to Construct.

The holder of any Security Financing Interest authorized by this Agreement is not obligated to construct or complete any improvements or to guarantee such construction or completion; nor shall any covenant or any other provision in this Agreement or in conveyances from the Authority to the Developer evidencing the realty comprising the Property or any part thereof be construed so to obligate such holder. The holder of any Security Financing Interest which succeeds to the interest of the Developer through sale, foreclosure or deed and assignment in lieu thereof shall not be deemed to be the successor in interest of Developer with respect to any obligation or liability of Developer under this Agreement. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses of improvements provided for or authorized by this Agreement.

Section 20.3 Notice of Default and Right to Cure.

Whenever the Authority pursuant to its rights set forth in Article 16 of this Agreement delivers any notice or demand to the Developer with respect to the commencement, completion, or cessation of the construction of the Development, the Authority shall at the same time deliver to each holder of record of any Security Financing Interest creating a lien upon the Development, or any portion thereof, a copy of such notice or demand; provided, however, that the Authority shall have no liability to the holder of a Security Financing Interest for any failure by the Authority to provide notice to such holder. Each such holder shall (insofar as the rights of the Authority are concerned) have the right, but not the obligation, at its option, within the same time period as is afforded Developer plus the greater of sixty (60) days or such longer period as reasonably may be necessary for the holder to obtain the right of possession through foreclosure, deed in lieu or appointment of a receiver provided that within such sixty (60)-day period the holder commences and thereafter proceeds in good faith to obtain the right of possession and to cure or remedy or commence to cure or remedy any such default or breach. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Development (beyond the extent necessary to conserve or protect Development or construction already made) without first having expressly assumed in writing the Developer's obligations to the Authority relating to the construction of the Development under this Agreement. The holder in that event must agree to complete, in the manner provided in this Agreement, the portions of the Development to which the lien or title of such holder relates. Any such holder or permitted transferee properly completing such portions of the Development pursuant to this paragraph shall be entitled, upon written request made to the Authority, to a Certificate of Completion from the Authority.

Section 20.4 Failure of Holder to Complete Development.

In any case where six (6) months after occurrence of an uncured Event of Default in completion of construction of the Development under this Agreement, the holder of record of any Security Financing Interests, having first exercised its option to construct, has not proceeded diligently with construction, the Authority shall be afforded the same rights against the holder as it would have against the Developer to the extent of the obligations of the Developer which accrue during the period the holder has had possession of the Property, provided however that the holder shall in no event be liable for money damages to the Authority solely for such holder's failure to construct. In the alternative, the Authority may purchase the mortgage or deed of trust by payment to the holder of the amount of the unpaid mortgage or deed of trust debt, including principal and interest and all other sums due to such holder and secured by the mortgage or deed of trust. If the ownership of the Property or any part thereof has vested in the holder, the Authority, if it so desires, shall be entitled to a conveyance from the holder to the Authority subject to existing amounts secured by other Security Financing Interest set forth in the approved Financing Plan and upon payment to the holder of an amount equal to the sum of the following:

(a) The unpaid mortgage or deed of trust debt at the time title became vested in the holder (less all appropriate credits, including those resulting from collection and application of rentals and other income derived by the lender from operations conducted on the Property or other income received during foreclosure proceedings);

(b) All expenses with respect to foreclosure and obtaining possession, including without limitation reasonable attorney fees incurred in connection with the foreclosure or in obtaining possession;

(c) The net expenses, if any (exclusive of general overhead), incurred by the holder as a direct result of the subsequent management of the Property or part thereof;

(d) The costs of any portions of the Development made by such holder; and

(e) An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the mortgage or deed of trust debt and such debt had continued in existence to the date of payment by the Authority.

Section 20.5 Right of Authority to Cure.

In the event of a default or breach by the Developer of a Security Financing Interest prior to the completion of Development, and the holder has not waived or exercised its option to complete the Development called for on the Property, the Authority may cure the default, prior to the completion of any foreclosure. In such event the Authority shall be entitled to reimbursement from the Developer of all costs and expenses incurred by the Authority in curing the default.

Section 20.6 Right of Authority to Satisfy Other Liens.

After the conveyance of title to the Property or any portion thereof and after the Developer has a reasonable time following notice from Authority to challenge, cure or satisfy any liens or encumbrances on the Property or any portion thereof, which are not otherwise permitted under this Agreement, the Authority shall have the right to satisfy any such liens or encumbrances and receive immediate reimbursement of the cost incurred by the Authority from the Developer; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Property or any portion thereof to forfeiture or sale.

Section 20.7 Additional Mortgagee Protections.

The Authority shall consider in good faith requests to make amendments to this Agreement as reasonably requested by a holder of a Security Financing Interest, prior to or concurrently with the recording of lien securing the Security Financing Interest, to provide any reasonably required modifications to this Agreement and other assurances to such holder (including, but not limited to, the actions described in Section 11.3(g) hereof and subordinations where not prohibited by Section 8.1(c) hereof) and the Authority's Executive Director is hereby authorized to enter into such amendments without further action by the Authority.

ARTICLE 21.
REPRESENTATIONS AND WARRANTIES

Section 21.1 Developer's Warranty of Good Standing and Authority.

Developer hereby represents and warrants to the Authority as follows:

(a) Organization. Developer is duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted. Developer shall provide an opinion to this effect from its counsel at the time of execution of this Agreement.

(b) Authority of Developer. Developer has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Authority Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Developer, and all actions required under Developer's organizational documents and applicable governing

law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken (to the extent such actions are required as of the date of execution and delivery of the above-named documents).

(d) Valid and Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Developer enforceable against it in accordance with their respective terms, subject to the laws affecting creditors rights and principles of equity.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Developer, or any provision of the organizational documents of Developer, or will conflict with or constitute a breach of or a default under any agreement to which Developer is a party, or will result in the creation or imposition of any lien upon any assets or property of Developer, other than liens established pursuant hereto.

(f) Pending Proceedings. Developer is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and, to the best of its knowledge, there are no claims, actions, suits or proceedings pending or, to the knowledge of Developer, threatened against or affecting Developer or the Development, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Developer, materially affect Developer's ability to repay the Loan or impair the security to be given to the Authority pursuant hereto.

(g) Financial Statements. The financial statements of Developer and other financial data and information furnished by Developer to the Authority fairly present the information contained therein. As of the date of this Agreement, there has not been any adverse, material change in the financial condition of Developer from that shown by such financial statements and other data and information.

Section 21.2 Authority's Warranty of Good Standing and Authority.

The Authority represents and warrants to Developer that (i) the Authority is a duly organized, validly organized, public body, corporate and politic, and is in good standing under the laws of California, (ii) the Authority has all necessary power and authority under California law, (iii) this Agreement has been duly entered into and is the legally binding obligation of the Authority, (iv) this Agreement will not violate any judgment, law, consent decree, or agreement to which the Authority is a party or is subject to and will not violate any law or ordinance under which the Authority is organized, and (v) there is no claim pending, or to

the best knowledge of the Authority, threatened, that would impede the Authority's ability to perform its obligation hereunto.

ARTICLE 22.
MISCELLANEOUS

Section 22.1 Term.

This Agreement shall commence with the execution hereof and shall terminate upon Closing, unless sooner terminated in accordance with provisions herein.

Section 22.2 Decision Standards.

(a) In any approval, consent or other determination by any party required under any of this Agreement, the party shall act reasonably and in good faith, unless a different standard is explicitly stated.

(b) "Good faith" means honesty in fact in the conduct or transaction concerned based on the facts and circumstances actually known to the individual(s) acting for the party.

(c) "Discretion," "sole discretion," "option," "election" or words of similar import in this Agreement denote the party's privilege to act in furtherance of the party's interest.

(d) "Judgment" denotes a subjective standard obligating the party to use good faith in forming its professional opinion or estimate.

(e) "Reasonable judgment" denotes an objective standard obligating the party in good faith to act in a manner which is consistent with usual and customary practices of entities similarly situated, and not arbitrarily or capriciously.

Section 22.3 Notices.

Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be deemed given if (i) delivered personally or by courier, (ii) telecopied, (iii) sent by overnight express delivery, or (iv) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party):

If to Authority, to: Housing Authority of the City of San Francisco
440 Turk Street
San Francisco, California 94102
Attn: Gregg Fortner, Executive Director

and a copy to: Goldfarb & Lipman
1300 Clay Street, Ninth Floor
City Center Plaza
Oakland, California 94612
Attn: Dianne Jackson McLean, Esq.

If to Developer, to: Mission Housing Development Corporation
474 Valencia, #280
San Francisco, California 94103
Attn: Carlos Romero

and a copy to: Gubb & Barshay
50 California Street, Suite 3155
San Francisco, California 94111
Attn: Natalie Gubb

and to HUD at the following address: U.S. Department of Housing and Urban Development,
Office of Public Housing Investments
451 Seventh Street, S.W., Fourth Floor
Washington, D.C. 20410

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, telecopy transmission, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in the case of telecopy, upon receipt of electronic confirmation thereof, (iii) in the case of delivery by overnight courier or express delivery service, on the date following dispatch, and (iv) in the case of mailing, on the date specified in the return receipt therefor.

Section 22.4 Representatives.

To facilitate communication, the parties to this Agreement shall designate a representative with responsibility for the routine administration of each party's obligations under this Agreement. The parties initially appoint the following as representatives:

The Authority: Barbara T. Smith, Administration, SFHA

Developer: Carlos Romero, Executive Director, MHDC

Section 22.5 Further Assurances.

Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transaction contemplated by this Agreement.

Section 22.6 Restrictions on Transfers and Assignments.

(a) As used in this Section, the term "Transfer" means:

(1) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement or any aspect of the Development or any part thereof or any interest therein or any contract or agreement to do any of the same; or

(2) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any interest in the Developer, including, but not limited to, any transfer of the interest of a partner or a member of the Developer, or any contract or agreement to do any of the same; or

(3) Any merger, consolidation, sale or lease of all or substantially all of the assets of Developer.

(b) Purpose of Restrictions on Transfer. The Developer recognizes that the qualifications and identity of Developer, including Affiliates of the Developer, are of particular concern to the Authority, in view of:

(1) The importance of the Revitalization to the general welfare of the community;

(2) The financial assistance and other public aids that have been made available by law and by the government for the purpose of making such Revitalization possible;

(3) The reliance by the Authority upon the unique qualifications and ability of the Developer to serve as the catalyst for the Development and, after Closing, upon the continuing interest which the Developer will have in the Revitalization Site to assure the quality of the use, operation and maintenance deemed critical by the Authority for the development;

(4) The fact that the Revitalization Site is not to be acquired or used for speculation, but only for development and operation by the Developer in accordance with the Agreement;

(5) The importance to the Authority and the community of the standards of use, operation and maintenance of the Revitalization Site.

The Developer further recognizes that it is because of such qualifications and identity that the Authority is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement.

(c) Prohibited Transfers. Except as expressly permitted in this Agreement, the Developer represents and agrees that the Developer has not made or created, and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation

of law without the prior written approval of the Authority and HUD, if required pursuant to this Agreement. Any Transfer made in contravention of this Section shall be void and shall be deemed to be a default under this Agreement whether or not the Developer knew of or participated in such Transfer unless such Transfer is rescinded by the Developer within thirty (30) days following written notice by the Authority to the Developer to rescind such Transfer.

Section 22.7 Permitted Transfers.

Notwithstanding the provisions of Section 22.6, the following Transfers shall be permitted and are hereby approved by the Authority, subject to satisfaction of the requirements of Section 12.2:

(a) Any Transfer creating a Security Financing Interest permitted pursuant to the approved Financing Plan;

(b) Any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest or as otherwise permitted under Article 20;

(c) Any Transfer by a mortgagee, trustee, beneficiary or assignee under a mortgage, deed of trust or such other reasonable security interest following foreclosure, trustee's sale or the obtaining of title by deed or assignment in lieu of foreclosure or sale, provided that the identity of the transferee is approved by Authority and HUD, which approval shall not unreasonably be withheld and shall be deemed given if not denied by Authority's notice to the transferring entity, accompanied by the reasons for such denial, given within thirty (30) days of the request to Authority for such approval;

(d) A Transfer to the Owner provided that the Owner is formed in strict accordance with Section 11.1.

Section 22.8 Transfers with Authority Consent.

Subject to the prior written approval of HUD, the Authority may, in its sole discretion, approve in writing other Transfers as requested by the Developer. In connection with such request, there shall be submitted to the Authority for review all instruments and other legal documents proposed to effect any such Transfer. If a requested Transfer is approved by the Authority such approval shall be indicated to the Developer in writing. Such approval shall be granted or denied by the Authority within thirty (30) days of receipt by the Authority of Developer's request for approval of a Transfer. Consent to Transfers requested by investors, such as the removal of a general partner for default under a limited partnership agreement, shall not be unreasonably withheld, and shall be provided for with respect to the Development in the documentation.

Section 22.9 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed original, but all of which, together, shall constitute one instrument.

Section 22.10 Interpretation and Governing Law.

This Agreement shall not be construed against the party who prepared it but shall be construed as though prepared by both parties. This Agreement shall be construed, interpreted, and governed by the laws of California without regard to the choice of law provisions thereof.

Section 22.11 Severability.

If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable such portion shall be deemed severed from this Agreement and the remaining parts shall continue in full force as though such invalid or unenforceable provision had not been part of this Agreement.

Section 22.12 Final Agreement.

Unless otherwise provided herein, this Agreement constitutes the final understanding and agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements between the parties, whether written or oral. This Agreement may be amended, supplemented or changed only by a writing signed or authorized by or on behalf of the party to be bound thereby.

Section 22.13 Non-Recourse.

No member, official, employee, agent, or consultant of the Authority or of any Affiliate of the Authority shall be personally liable to Developer, or any successor in interest or person claiming by, through or under Developer, in the event of any default or breach, or for or on account of any amount which may be or become due, or in any claim, cause or obligation whatsoever under the terms of this Agreement. No officer, director, shareholder (which is an individual), principal (which is an individual), employee, agent or consultant or member of the Developer or of any Affiliate of the Developer shall be personally liable to the Authority or any successor in interest or person claiming by, through or under the Authority, in the event of any default or breach, or for or on account of any amount which may be or become due, or in any claim, cause or obligation whatsoever under the terms of this Agreement.

Section 22.14 Developer Employees and Liabilities.

It is understood that persons engaged or employed by Developer as employees, agents, or independent contractors shall be engaged or employed by Developer and not by the Authority. Developer alone is responsible for their work, direction, compensation and personal conduct. Nothing included in any provision of this Agreement shall impose any liability or duty

upon the Authority to persons, firms, or corporations employed or engaged by Developer in any capacity whatsoever, or make the Authority liable to any such persons, firms, or corporations, or to any government, for the acts, omissions, liabilities, obligations, and taxes, of whatsoever nature, of Developer or of its employees, agents, or independent contractors.

Section 22.15 Developer Not an Agent.

Nothing in this Agreement shall be deemed to appoint Developer as an agent for or representative of the Authority, and Developer is not authorized to act on behalf of the Authority with respect to any matters except those specifically set forth in this Agreement. The Authority shall not have any liability or duty to any person, firm, corporation, or governmental body for any act of omission or commission, liability, or obligation of Developer, whether arising from actions under this Agreement or otherwise.

Section 22.16 Disclaimer of Relationships.

(a) Nothing contained in the ACC, the HOPE VI Grant Agreement (if applicable), or this Agreement, nor any act of HUD or Authority, shall be deemed or construed to create any relationship of third party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and Authority as provided under the terms of the ACC or HOPE VI Grant Agreement, as applicable.

(b) Developer acknowledges that any transfer of HOPE VI funds or other public housing development funds by Authority to Developer shall not be deemed an assignment of such funds. Developer will not succeed to any rights or benefits of Authority under the ACC or HOPE VI Grant Agreement, as applicable.

(c) Developer agrees to ensure that paragraphs (a) and (b) of this Section 22.16 are inserted into any contract or subcontract involving the use of HUD funds in connection with the Development.

Section 22.17 Conflict of Interest Requirements.

(a) The parties acknowledge and agree that this Agreement does not violate the conflict of interest provisions set forth in 24 CFR Part 85, 24 CFR Part 941 and the ACC, and the parties hereto agree to comply with such provisions. Each of the parties agrees to include in all contracts with any party involving the use of public housing funds, a conflict of interest provision consistent with 24 CFR Part 85, 24 CFR Part 941 and the ACC.

(b) Developer agrees to execute a Certificate Regarding Lobbying, as required by Article 25(m) of _____, and all other certifications required to be executed in connection with receipt of the public housing funds.

Section 22.18 Waivers.

The failure of either party to insist in any one or more cases upon the strict performance of any of the other party's obligations under this Agreement or to exercise any right or remedy herein contained shall not be construed as a waiver or a relinquishment for the future of such obligation, right or remedy. No waiver by either party of any provision of this Agreement shall be deemed to have been made unless set forth in writing and signed by that party.

Section 22.19 Successors.

The terms, covenants, agreements, provisions, and conditions contained herein shall bind and inure to the benefit of the parties hereto, their successors and assigns.

Section 22.20 Headings; Exhibits.

The headings in this Agreement are inserted for convenience only and shall not be used to define, limit or describe the scope of this Agreement or any of the obligations herein. All attachments that are labeled Exhibits are attached hereto and incorporated herein by reference thereto.

Section 22.21 Construction.

Whenever in this Agreement a pronoun is used, it shall be construed to represent either the singular or the plural, either the masculine or the feminine, as the case shall demand.

Section 22.22 Cumulative Rights.

Except as expressly limited by the terms of this Agreement, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

Section 22.23 Business Licenses.

Developer warrants that Developer has a valid San Francisco City business license and all other licenses required by law.

Section 22.24 Time of Performance.

(a) Expiration. All performance dates (including cure dates) expire at 5:00 p.m., San Francisco, California time, on the performance or cure day.

(b) Weekends and Holidays. A performance date which falls on a Saturday, Sunday or Authority holiday is deemed extended to the next working day.

(c) Days for Performance. All periods for performance specified in this

Agreement in terms of days shall be calendar days, and not business days, unless otherwise expressly provided in this Agreement.

Section 22.25 Amendment.

Neither this Agreement nor any of its terms may be terminated, amended or modified except by a written instrument executed by the Parties and the written approval of HUD.

Section 22.26 Attorneys' Fees.

If either Party fails to perform any of its respective obligations under this Agreement or if any dispute arises between the Parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting Party or the Party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other Party on account of such default or in enforcing or establishing its rights under this Agreement, including, without limitation, court costs and reasonable attorneys' fees and costs. Any such attorneys' fees and costs incurred by either Party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees and costs obligation is intended to be separate from the other provisions of this Agreement and to survive and not be merged into any such judgment.

IN WITNESS WHEREOF, the parties have duly executed this Agreement by their duly authorized signatories effective on or as of the date written at the commencement of this Agreement.

AUTHORITY

HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body corporate and politic

By: _____
Gregg Fortner, Executive Director

Approved as to Form and Legality:

_____
Donna Martin, General Counsel

DEVELOPER

MISSION HOUSING DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation

By: _____

Its: _____

EXHIBIT A
LEGAL DESCRIPTION

The land is situated in the City and County of San Francisco, in the County of San Francisco, State of California, and is described as follows:

PARCEL A:

BEGINNING at a point on the Northerly line of 15th Street, distant thereon 60 feet Easterly from the Easterly line of Guerrero Street; running thence Northerly, at a right angle to said line of 15th Street, 100 feet; thence at a right angle Easterly 42 feet, more or less, to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant thereon 159 feet Easterly from the Easterly line of Guerrero Street; thence Northeasterly, along the line so drawn, 75 feet, more or less, to a point perpendicularly distant 175 feet Northerly from the Northerly line of 15th Street; thence Westerly, parallel with said line of 15th Street, 111 feet, more or less, to the Easterly line of Guerrero Street; thence at a right angle Northerly, along said line of Guerrero Street 162 feet to a point distant thereon 183 feet Southerly from the Southerly line of 14th Street; thence at a right angle Easterly 133 feet, 6 inches, more or less, to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street; thence Northeasterly, along the line so drawn, 53 feet, more or less, to a point perpendicularly distant 130 feet Southerly from the Southerly line of 14th Street; thence Easterly, parallel with said line of 14th Street, 421 feet, more or less, to the Westerly line of Valencia Street; thence Southerly, along the Westerly line of Valencia Street, 325 feet; thence at a right angle Westerly 464 feet, more or less, to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street; thence Southwesterly, along the line so drawn, 65 feet, 6 inches, more or less, to the Northerly line of 15th Street; thence Westerly, along said line of 15th Street, 27 feet, 3 inches to the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL B:

BEGINNING at a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street; running thence Easterly, along said line of 15th Street, 472 feet, 9 inches to the Westerly line of Valencia Street; thence at a right angle Northerly, along said line of Valencia Street, 65 feet; thence at a right angle Westerly 464 feet, more or less, to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street; thence Southwesterly, along the line so drawn,

65 feet, 6 inches, more or less, to the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL C:

BEGINNING at a point on the Easterly line of Guerrero Street, distant thereon 150 feet Northerly from the Northerly line of 15th Street; running thence Northerly, along said line of Guerrero Street; 25 feet; thence at a right angle Easterly 111.396 feet to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street; running thence Southwesterly, along the line so drawn, 25 feet, 2-7/8 inches, more or less, to a line drawn, from the point of beginning, at a right angle to the Easterly line of Guerrero Street; thence Westerly, along the line so drawn, 107 feet, 11-3/8 inches to the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL D:

BEGINNING at a point on the Easterly line of Guerrero Street, distant theron 133 feet Southerly from the Southerly line of 14th Street; running thence Southerly, along said line of Guerrero Street, 25 feet; thence at a right angle Easterly 137 feet, more or less, to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street; running thence Northeasterly, along the line so drawn, 25 feet, more or less, to a line drawn, at a right angle to the Easterly line of Guerrero Street, from the point of beginning; thence, Westerly, along the line so drawn, 139 feet, more or less, to the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL E:

BEGINNING at a point on the Easterly line of Guerrero Street, distant thereon 158 feet Southerly from the Southerly line of 14th Street; running thence Southerly, along said line of Guerrero Street, 25 feet; thence at a right angle Easterly 133 feet, 6 inches, more or less, to the intersection of the Westerly line of the Harmon Tract (said line being a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street); thence Northeasterly, along said last mentioned line, 27 feet, 5 inches, more or less, to the intersection of a line drawn parallel with said line of 14th Street, perpendicularly distant 158 feet Southerly therefrom; thence Westerly, along the last mentioned line, 137 feet,

more or less, to the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL F:

BEGINNING at a point on the Easterly line of Guerrero Street, distant thereon 125 feet Northerly from the Northerly line of 15th Street; running thence Northerly, along said line of Guerrero Street, 25 feet; thence at a right angle Easterly 106 feet, more or less, to the Westerly line of the Harmon Tract(said line being a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street); thence Southwesterly, along said last mentioned line, 25 feet, more or less, to a point perpendicularly distant 125 feet Northerly from the Northerly line of 15th Street; thence Westerly 103 feet, more or less, to the Easterly line of Guerrero Street and the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL G:

BEGINNING at a point on the Easterly line of Guerrero Street, distant thereon 100 feet Northerly from the Northerly line of 15th Street; running thence Northerly, along said line of Guerrero Street, 25 feet; thence at a right angle Easterly 103 feet, more or less, to a line drawn from a point on the Northerly line of 15th Street, distant thereon 87 feet, 3 inches Easterly from the Easterly line of Guerrero Street, to a point on the Southerly line of 14th Street, distant theron 159 feet Easterly from the Easterly line of Guerrero Street; thence Southwesterly, along the line so drawn, 25 feet, more or less, to the intersection of a line drawn Easterly, parallel with the Northerly line of 15th Street, from the point of beginning; thence Westerly, along the line so drawn, 100 feet, 6 inches, more or less, to the point of beginning.

BEING a portion of Mission Block No. 29

PARCEL H:

BEGINNING at a point on the Northerly line of 15th Street, distant thereon 30 feet Easterly from the Easterly line of Guerrero Street; running thence Easterly, along said line of 15th Street 30 feet; thence at a right angle Northerly 100 feet; thence at a right angle Westerly 30 feet; thence at a right angle Southerly 100 feet to the point of beginning.
BEING a portion of Mission Block No. 29

PARCEL I:

BEGINNING at a point on the Easterly line of Guerrero Street, distant thereon 70 feet

Northerly from the Northerly line of 15th Street; running thence Northerly, along said line of Guerrero Street, 30 feet; thence at a right angle Easterly 30 feet; thence at a right angle Southerly 30 feet; thence at a right angle Westerly 30 feet to the point of beginning.

BEING a portion of Mission Block No. 29

Assessor's Parcel No: Lot 2, Block 3546

EXHIBIT B: Development Budget

SOURCES OF FUNDS	
	Total Development
First Mortgage	5,705,000
Second Mortgage: Supported By Section 8	3,882,622
HOPE VI Loan	18,325,641
CHFA Deferred Loan	1,000,000
AHP	960,596
State Multi Family Housing Program (MHP)	7,000,000
Local Funds- SFRA/MOH	5,000,000
General Partner	1,100,000
Limited Partner @ 99.99%	23,087,901
TOTAL SOURCES	**66,061,760**

USES OF FUNDS	
	Total Development
Demolition/Remediation	1,876,505
Site improvements	4,139,750
New Construction	41,679,537
Buildout Child Care Tenant Improvements	275,000
Furniture Purchased by Owner	300,000
Bufano Sculptures	124,887
Construction Contingency 5%	2,304,714
Local Permits and Fees	450,000
Local Impact Fees	319,287
Architecture	2,783,525
Survey, engineering, environmental, testing	815,000
Construction Management	200,000
Soft Cost Contingency	1,182,829
Contractor Bond	303,182
Permanent loan fee	101,125
Construction Loan Fees	912,500
Construction Loan Interest during construction	1,191,094
Construction Loan Interest post construction	962,500
Real Estate Taxes During Construction	0
Course of Construction Insurance	700,000
Appraisal	20,000
Tax Credit Allocation Committee Fees	83,426
Legal Fees - Organization	5,500
Legal Fees - Construction Loan Closing	70,000
Legal Fees - Syndication	30,000
Legal Fees - Permanent Loan Closing	40,000
Title - Permanent loan closing	10,000
Consultant - Syndication	40,000
Investor legal fees	30,000
Title & Escrow - Construction Financing	50,000
Marketing	100,000
Project Audit	10,000
Reserve for Services	300,000
Capitalized reserves (6 mo op reserve; rent-up reserve)	752,940
Capitalized reserves (ACC start-up reserve)	60,000
Capitalized reserve (ACC short-fall reserve)	1,093,459
PSA Management Fee	245,000
Development Fee	2,500,000
TOTAL PROJECT COSTS	**66,061,760**

EXHIBIT C
SCOPE OF DEVELOPMENT

RENTAL HOUSING COMPONENT

SITE	Existing	Proposed	Proposed Community and Program Spaces
Valencia Gardens	246 Units 408 Bedrooms 114 – 1 Bedroom 102 – 2 Bedrooms 30 – 3 Bedrooms 0 – 4 Bedrooms	260 Units 576 Bedrooms 60 1 Bedroom 98 2 Bedrooms 88 3 Bedrooms 14 4 Bedrooms	- 5,559 SF Community Center - 2,800 SF Child Care Facility - 1,988 SF Business Incubator Space/Computer Learning Center - 2,195 SF Outdoor Child Play Space

EXHIBIT D
PRELIMINARY SITE PLAN/SCHEMATIC DESIGN

The documents described below are hereby incorporated by reference and made a part hereof:

Drawings entitled:	Drawing – 100% Design Development
Dated:	September 17, 2003
Prepared by:	Van Meter Williams Pollack, Architects
Prepared for:	Mission Housing Development Corporation

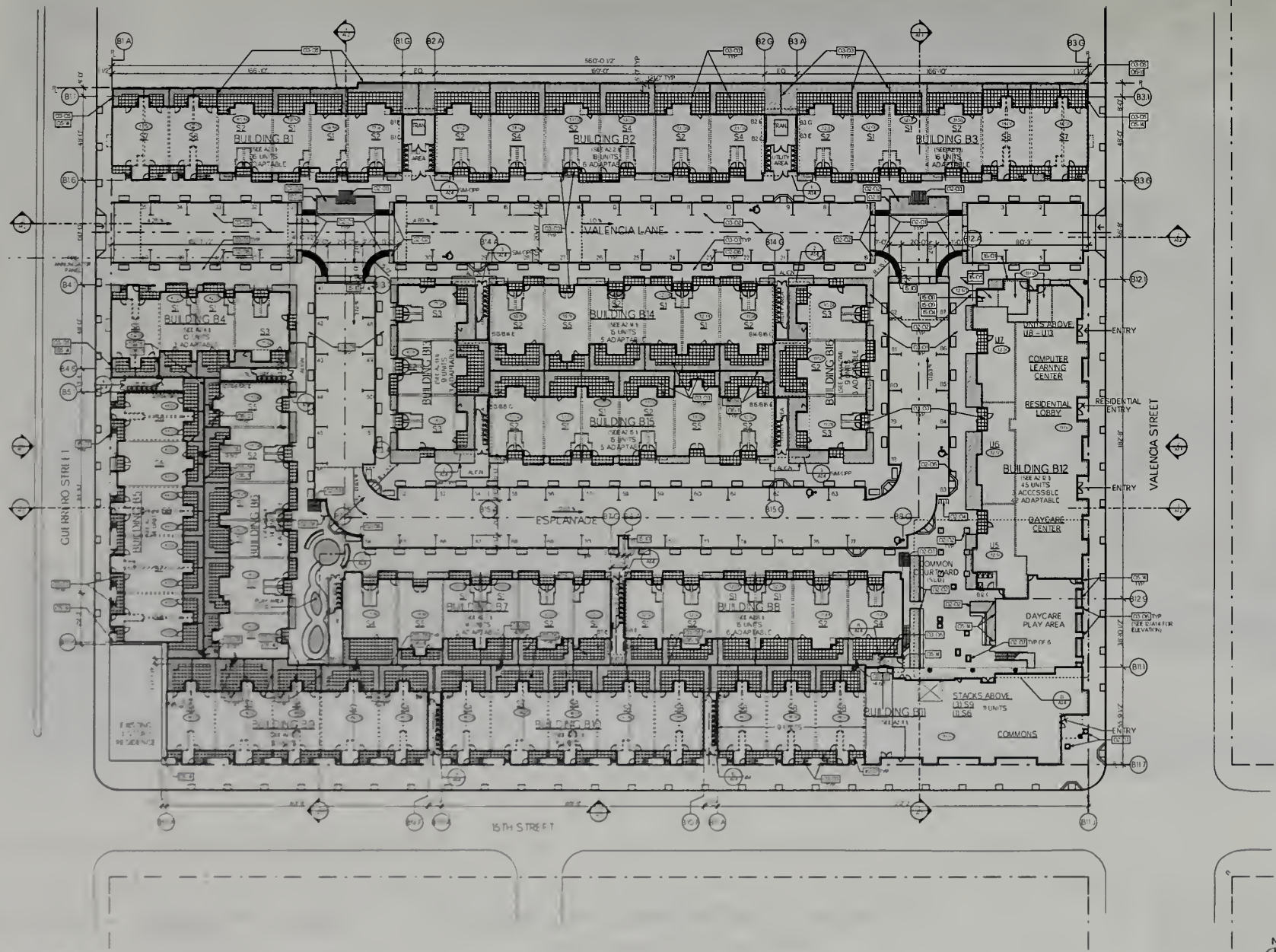
Valencia Gardens • Hope VI • San Francisco, California

Client:
Mission Housing Development Corporation • 474 Valencia Street, San Francisco, California 94103
San Francisco Housing Authority • 1815 Egbert Avenue, San Francisco, California 94124

Architect:
VAN METER WILLIAMS POLLACK LLP

MARTINEZ

100% Design Development • September 17, 2003



VAN METER WILLIAMS POLLACK LLP

ARCHITECTURE + URBAN DESIGN
SAN FRANCISCO + DENVER

MARTINEZ ARCHITECTS, INC.

CIVIL ENGINEER:
Wildman & Morris
120 Howard St., Suite 500
San Francisco, CA 94105
415.896.2844

STRUCTURAL ENGINEER:
OLMM Consulting Engineers
1404 Franklin St., Suite 350
Oakland, CA 94612
510.433.0626

MECHANICAL / PLUMBING ENGINEER:
MCT Engineers Inc.
452 Tehama St
San Francisco, CA 94103
415.495.2130

ELECTRICAL ENGINEER:
POLA, Pete O. Lapid & Associates
101 Spear St., Suite 225
San Francisco, CA 94105
415.765.0451

LANDSCAPE ARCHITECT:
Arizona Bays Landscape Architects
50 Fedora St., Suite 502
San Francisco, CA 94107
415.863.7815

DATE: REVISIONS
09/10/01 DDA DESIGN DEVELOPMENT

KEYPLAN

STAMP

PROJECT
VALENCIA GARDENS
HOPE VI
San Francisco, CA

CLIENT
Mission Housing Development Corp.
474 Valencia St., Suite 280
San Francisco, CA 94103

SITE PLAN

JOB # 0009
SCALE 1"=10'

A1.1

PERSPECTIVE VIEW - INTERIOR SITE ESPLANADE FACING MIXED-USE BUILDINGS

ARCHITECT
VAN METER WILLIAMS POLLACK
MARTINEZ ARCHITECTS

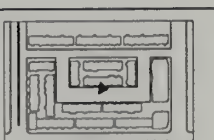
CLIENT
MISSION HOUSING DEVELOPMENT CORPORATION
SAN FRANCISCO HOUSING AUTHORITY

VALENCIA GARDENS • HOPE VI

SAN FRANCISCO, CALIFORNIA

PLANNING COMMISSION • 19 JUNE 2003

KEYPLAN



PERSPECTIVE VIEW

A2

PERSPECTIVE VIEW ALONG 15TH STREET

ARCHITECT

VAN METER WILLIAMS POLLACK

MARTINEZ ARCHITECTS

CLIENT

MISSION HOUSING DEVELOPMENT CORPORATION

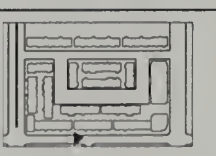
SAN FRANCISCO HOUSING AUTHORITY

VALENCIA GARDENS • HOPE VI

SAN FRANCISCO, CALIFORNIA

PLANNING COMMISSION • 19 JUNE 2003

KEYPLAN



PERSPECTIVE VIEW

A3

EXHIBIT E
SCHEDULE OF PERFORMANCE

This Development Schedule sets forth the schedule for various activities under the Disposition and Development Agreement (the "Agreement" or the "DDA") to which this exhibit is attached. The description of items in this Development Schedule is meant to be descriptive only, and shall not be deemed to modify in any way the provisions of the DDA to which such items relate. Section references herein to the DDA are intended merely as an aid in relating this Development Schedule to other provisions of the DDA and shall not be deemed to have any substantive effect.

ACTION	FINAL DATE FOR ACTION
1. Permits and Approvals. MHDC shall obtain Permits and Approvals. [§6.2(a)(2)]	By Closing.
2. Financing Commitments. MHDC shall obtain commitments of all Projected private and government loans and grants. [§6.1(a)(4) and (a)(5)]	By date of CDLAC application, with the exception of the AHP subsidy and other funding sources for which CDLAC does not require binding commitments. For such funding sources, conditional commitments shall be obtained by July 1, 2004.
3. Tax Credit Allocation Application Approvals. MHDC shall obtain Authority approval of applications for Tax Credit Allocations. [§6.1(a)(6)]	By date of CDLAC application.
4. Tax Credit Allocation Applications. MHDC shall apply for Tax Credit Allocations. [§3.1(e)]	By deadline for CDLAC's first round of applications in 2004.
5. Owner. MHDC shall organize Owner of the Development Components, with Authority consultation. [§11.1]	By Closing.
6. Design Documents. MHDC shall submit all Design Documents, including Design Development Drawings. [§9.2, 9.3(a)] (a) 50% (b) 100%	October 15, 2003 (a) June 20, 2003 (b) October 1, 2003

ACTION	FINAL DATE FOR ACTION
7. Final Construction Drawings. MHDC shall submit Final Construction Drawings. [§9.3(b)] (a) 50% (b) 80% (c) 100%	May 14, 2004 (a) February 10, 2004 (b) April 16, 2004 (c) May 14, 2004
8. Approval of Design Documents. Authority approval of drawings and other Design Documents. [§9.4]	Prior to the start of Final Construction Drawing.
9. Construction Contract. MHDC shall submit construction contract and construction documents to Authority. [§9.8]	July 15, 2004
10. Construction Contract. Authority approval of construction contract and construction documents. [§9.6]	By Closing.
11. Equity Investors. MHDC shall issue RFP for tax credit Equity Investor.	April 12, 2004
12. Equity Investors. MHDC shall select Equity Investor.	June 18, 2004
13. Management Agreement and Plan. MHDC shall submit Management Agreement and Plan for Authority approval.	By Closing.
14. Management Agreement and Plan. Authority approval of MHDC Management Agreement and Plan. [§6.1(a)(2)]	By Closing.
15. Closing.	September 30, 2004
16. Evidentiaries. MHDC shall submit to HUD all evidentiary documentation.	July 30, 2004

EXHIBIT F
SITE MITIGATION PLAN

Architectural Resources

1. Prior to any physical removal of buildings or site features, the Project Sponsor would prepare, or cause to be prepared, documentation of the Valencia Gardens complex. Such documentation would include the precise recording of the structures through measurements, drawings, and photographs and would meet the Historic American Buildings Survey (HABS) recordation standards. The HABS documentation would include the following:

   - HABS outline report would be prepared and would include descriptive and historical information on the buildings, the architects, the landscaping, the landscape architect, the sculptures, and the artist. Information from the previous reports prepared, including the *Valencia GardensDraft Historic Significance Evaluation*, Carey & Co., 1997, and the *Verification of Historic Significance, Valencia Gardens HOPE VI Project*, Carey & Co., 2002, would be used to fulfill some of the requirements for descriptive and historical information.

   - Photographic documentation of the exterior of Valencia Gardens' neighborhood setting, buildings, courtyards, landscape and site features, and sculptures would be prepared.

   - Photographic documentation of selected interiors, including a typical dwelling unit, would be prepared. The selected dwelling unit would be appropriately described in the outline report and keyed to the photographs.

- All photographic documentation would follow the HABS Photographic Standards for detail and quality, use of large format photographs and negatives, archival processing, labeling, and sacrificial test prints. Two sets of archival prints and one set of archival negatives would be prepared.

- Existing architect's drawings of the housing complex would be included in the HABS documentation. Reference would be made in the documentation report to the repository where the drawings are housed.

2. The documentation of Valencia Gardens would be submitted to the following repositories:

   - Documentation report, and one set of photographs and negatives, and a copy of the original drawings (identified in the Appendix II of Draft Historic Significance Evaluation of the Valencia Gardens as "Original Drawings for Valencia Gardens on 03-10-41 by Harry A. Thomsen Jr. and William Wilson Wurster") would be submitted to the History Room of the San Francisco Public Library.

   - Documentation report would be submitted to the Northwest Information Center of the California Historical Resources Information Resource System.

   - Documentation report, one set of photographs, original drawings, and rehabilitation drawings would be submitted to the Wurster, Bernardi & Emmons Collection, 1922-1974, Environmental Design Archives in the College of Environmental Design, University of California, Berkeley. The original drawings are identified in the Appendix II of Draft Historic Significance Evaluation of the Valencia Gardens as "Original Drawings for Valencia Gardens on 03-10-41 by Harry A. Thomsen Jr. and William Wilson Wurster." The rehabilitation drawings are identified as "Renovation Drawings for Kitchens and Bathrooms on 12-28-73 by the Housing Authority of the City and County of San Francisco." Both drawings sets are in the possession of the San Francisco Housing Authority and would be examined by a conservator prior to their donation.

   - The documentation report and xerographic copies of the photographs would be submitted to the San Francisco Planning Department for review prior to issuance of any permit that may be required by the City and County of San Francisco for demolition of Valencia Gardens.

   - The documentation report and xerographic copies of the photographs would be submitted to the San Francisco Landmarks Preservation Advisory Board.

3. The Project Sponsor would provide a publicly accessible interpretive display area on the project site to include interpretive materials, such as photographs, oral histories, architectural drawings and site plans, and written histories documenting the lives of, and events associated with, past occupants of the Valencia Gardens Housing Project. The

interpretive display would also include information on why the existing Valencia Gardens housing is inappropriate for its current use as discussed in the HOPE VI application section on existing conditions, as well as published articles regarding the design goals of the HOPE VI program, and the design goals developed in the resident design workshops for Valencia Gardens, which together show how social thinking has changed regarding what is now considered appropriate public housing design. The interpretive display would be submitted to the San Francisco Landmarks Preservation Advisory Board for review and approval prior to issuance of a final certificate of occupancy for the project. Copies of all interpretive materials shall also be donated to the History Room of the San Francisco Public Library. The LPAB may appoint a liaison to work with the Project Sponsor in directing the research on the interpretive materials.

4. The Project Sponsor, along with the President of the LPAB, would work with the San Francisco Arts Commission to incorporate the Bufano sculptures into the proposed site design. Subject to Arts Commission approval, the Bufano sculptures would be returned to the project site after construction. Prior to removing the sculptures from the site, an art conservator would inspect each sculpture to determine their existing condition. A qualified mover with experience in moving fine art pieces would be contracted to move the sculptures to a storage facility during construction of the proposed project. The storage facility would be one recommended by the art conservator. The same moving company would move the sculptures back, and the art conservator would supervise their placement on the project site.

Noise

5. The Project Sponsor shall require project construction contractor(s) to pre-drill holes to the maximum depth feasible on the basis of soil conditions. Contractors shall be required to use construction equipment with state-of-the-art noise shielding and muffling devices.

6. The Project Sponsor shall incorporate any noise mitigation measures identified in the Noise Assessment of the Special Environmental Clearance prepared according to HUD regulations (24 CFR Part 51, Subpart B).

Air Quality

7. The Project Sponsor shall require the contractor(s) to spray the site with water during excavation and construction activities; spray unpaved construction areas with water at least twice per day; cover stockpiles of soil, sand, and other material; cover trucks hauling debris, soil, sand or other such material; and sweep surrounding streets during excavation and construction at least once per day to reduce particulate emissions.

8. Ordinance 175-91, passed by the Board of Supervisors on May 6, 1991, requires that non-potable water be used for dust control activities. Therefore, the Project Sponsor would require that the contractor(s) obtain reclaimed water from the Clean Water

Program for this purpose. The Project Sponsor shall require the project contractor(s) to maintain and operate construction equipment so as to minimize exhaust emissions of particulates and other pollutants, by such means as a prohibition on idling motors when equipment is not in use or when trucks are waiting in queues, and implementation of specific maintenance programs to reduce emissions from equipment that would be in frequent use for much of the construction period.

Geology

9. One or more geotechnical investigations by a California-licensed geotechnical engineer are included as part of the project. The Project Sponsor and its contractors shall follow the recommendations of the final geotechnical reports regarding any excavation and construction for the project. The Project Sponsor shall ensure that the construction contractor conducts a pre-construction survey of existing conditions and monitors the adjacent buildings for damage during construction, if recommended by the geotechnical engineer.

10. If dewatering were necessary, the final soils report shall address the potential settlement and subsidence impacts of this dewatering. Based on this discussion, the soils report would determine whether or not a lateral movement and settlement survey should be done to monitor any movement or settlement of surrounding buildings and adjacent streets. If a monitoring survey were recommended, the Department of Building Inspection would require that a Special Inspector (as defined in Article 3 of the Building Code) be retained by the Project Sponsor to perform this monitoring. Instruments shall be used to monitor potential settlement and subsidence. If, in the judgment of the Special Inspector, unacceptable movement were to occur during construction, groundwater recharge shall be used to halt this settlement. The Project Sponsor shall delay construction if necessary. Costs for the survey and any necessary repairs to service lines under the street shall be born by the Project Sponsor.

    If dewatering were necessary, the Project Sponsor and its contractor shall follow the geotechnical engineers' recommendations regarding dewatering to avoid settlement of adjacent streets, utilities, and buildings that could potentially occur as a result of dewatering.

11. The Project Sponsor and its contractor shall follow the geotechnical engineers' recommendations regarding installation of settlement markers around the perimeter of shoring to monitor any ground movements outside of the shoring itself. Shoring systems shall be modified as necessary in the event that substantial movements are detected.

Water Quality

12. If dewatering were necessary, the Project Sponsor shall follow the recommendations of the geotechnical engineer or environmental remediation consultant, in consultation with the Bureau of Environmental Regulation and Management of the Department of Public

Works, regarding treatment, if any, of pumped groundwater prior to discharge to the combined sewer system.

If dewatering were necessary, groundwater pumped from the site shall be retained in a holding tank to allow suspended particles to settle, if this were found to be necessary by the Bureau of Environmental Regulation and Management of the Department of Public Works to reduce the amount of sediment entering the combined sewer system.

13. The Project Sponsor shall require the general contractor to install and maintain sediment traps in local storm water intakes during construction to reduce the amount of sediment entering the combined sewer system, if this were found to be necessary by the Bureau of Environmental Regulation and Management of the Department of Public Works.

Hazards

14. In addition to local, state, and federal requirements for handling hazardous materials and soil and groundwater containing chemical contaminants, the Project Sponsor shall enter into a remedial action agreement with the Department of Public Health pursuant to Health and Safety Code Section 101480 et seq. At a minimum, the Project Sponsor shall undertake the following work and any additional requirements imposed by the Department of Public Health under the agreement if soil samples for waste characterization and disposal acceptance indicate that chemical concentrations in the soil are above any of the U.S. EPA Preliminary Remediation Goals for Residential Soil (PRGs).

- The Project Sponsor shall implement a project specific health and safety plan (HSP) to be used during construction activities. The HSP shall address the safety and health hazards of the project and procedures for the protection of construction workers whom may be in contact with potentially contaminated soil. The HSP shall also specify site control programs, engineering controls, safe work practices, air monitoring requirements, and a description of proper personal protective equipment. The plan shall also include measure to minimize public exposure to potentially contaminated soil (i.e., dust). Such measures would include dust control, appropriate site security, restriction of public access, and posting of warning signs.

  If contaminated soils are encountered during earth-moving activities, these soils shall be disposed of off-site in accordance with California hazardous waste disposal regulations (CCR Title 26) or shall be managed in place with approval of the California Department of Toxic Substances Control (DTSC), the Regional Water Quality Control Board (RWQCB), or the San Francisco Department of Public Health (DPH).

- Prior to any demolition or excavation at the project site the Project Sponsor shall conduct surveys to identify any potentially hazardous materials (e.g., asbestos, lead-based paints, PCBs, mercury) in existing buildings or building materials. At a

minimum, these surveys shall identify any hazardous materials that would require removal and disposal prior to demolition. These surveys shall be completed by a Registered Environmental Assessor or a similarly qualified individual.

- All reports and plans prepared in accordance with this mitigation measure shall be provided to the San Francisco Department of Public Health and any other agencies identified by the Department of Public Health. When all hazardous materials have been removed from existing buildings, and soil and groundwater analysis and other activities have been completed, as appropriate, the Project Sponsor shall submit to the San Francisco Planning Department and the San Francisco Department of Public Health (and any other agencies identified by the Department of Public Health) a report stating that the mitigation measure has been implemented. The report shall describe the steps taken to comply with the mitigation measure and include all verifying documentation. The report shall be certified by a Registered Environmental Assessor or a similarly qualified individual who states that all necessary mitigation measures have been implemented.

Archaeological Resources

15. Based on a reasonable presumption that archeological resources may be present within the project site, the following measures shall be undertaken to avoid any potentially significant adverse effect from the proposed project on buried or submerged historical resources. The Project Sponsor shall retain the services of a qualified archeological consultant having expertise in California prehistoric and urban historical archeology. The archeological consultant shall undertake an archeological testing program as specified herein. In addition, the consultant shall be available to conduct an archeological monitoring and/or data recovery program if required pursuant to this measure. The archeological consultant's work shall be conducted in accordance with this measure and with the requirements of the project archaeological research design and treatment plan (Archeo-Tec., *From Bull Fights to Baseball: Archaeological Research Design and Treatment Plan for the Valencia Gardens HOPE VI Project*, December 2002) at the direction of the Environmental Review Officer (ERO). In instances of any inconsistency between the requirements of the project archaeological research design and treatment plan and of this archaeological mitigation measure, the requirement of the latter shall prevail. All plans and reports prepared by the consultant as specified herein shall be submitted first and directly to the ERO for review and comment, and shall be considered draft reports subject to revision until final approval by the ERO. Archeological monitoring and/or data recovery programs required by this measure could suspend construction of the project for up to a maximum of four weeks. At the direction of the ERO, the suspension of construction can be extended beyond four weeks only if such a suspension is the only feasible means to reduce to a less than significant level potential effects on a significant archeological resource as defined in CEQA Guidelines Sect. 15064.5 (a)(c).

Archeological Testing Program. The archeological consultant shall prepare and submit to the ERO for review and approval an archeological testing plan (ATP). The archeological testing program shall be conducted in accordance with the approved ATP. The ATP shall identify the property types of the expected archeological resource(s) that potentially could be adversely affected by the proposed project, the testing method to be used, and the locations recommended for testing. The purpose of the archeological testing program will be to determine to the extent possible the presence or absence of archeological resources and to identify and to evaluate whether any archeological resource encountered on the site constitutes an historical resource under CEQA.

At the completion of the archeological testing program, the archeological consultant shall submit a written report of the findings to the ERO. If based on the archeological testing program the archeological consultant finds that significant archeological resources may be present, the ERO in consultation with the archeological consultant shall determine if additional measures are warranted. Additional measures that may be undertaken include additional archeological testing, archeological monitoring, and/or an archeological data recovery program. If the ERO determines that a significant archeological resource is present and that the resource could be adversely affected by the proposed project, at the discretion of the Project Sponsor either:

A. The proposed project shall be re-designed so as to avoid any adverse effect on the significant archeological resource; or

B. A data recovery program shall be implemented, unless the ERO determines that the archeological resource is of greater interpretive than research significance and that interpretive use of the resource is feasible.

Archeological Monitoring Program. If the ERO in consultation with the archeological consultant determines that an archeological monitoring program shall be implemented the archeological monitoring program shall minimally include the following provisions:

- The archeological consultant, Project Sponsor, and ERO shall meet and consult on the scope of the AMP reasonably prior to any project-related soils disturbing activities commencing. The ERO in consultation with the archeological consultant shall determine what project activities shall be archeologically monitored. In most cases, any soils- disturbing activities, such as demolition, foundation removal, excavation, grading, utilities installation, foundation work, driving of piles (foundation, shoring, etc.), site remediation, etc., shall require archeological monitoring because of the risk these activities pose to potential archaeological resources and to their depositional context;

- The archeological consultant shall advise all project contractors to be on the alert for evidence of the presence of the expected resource(s), of how to identify the evidence of the expected resource(s), and of the appropriate protocol in the event of apparent discovery of an archeological resource;

- The archeological monitor(s) shall be present on the project site according to a schedule agreed upon by the archeological consultant and the ERO until the ERO

has, in consultation with project archeological consultant, determined that project construction activities could have no effects on significant archeological deposits;

- The archeological monitor shall record and be authorized to collect soil samples and artifactual/ecofactual material as warranted for analysis;
- If an intact archeological deposit is encountered, all soils-disturbing activities in the vicinity of the deposit shall cease. The archeological monitor shall be empowered to temporarily redirect demolition/excavation/pile driving/construction activities and equipment until the deposit is evaluated. If in the case of pile driving activity (foundation, shoring, etc.), the archeological monitor has cause to believe that the pile driving activity may affect an archeological resource, the pile driving activity shall be terminated until an appropriate evaluation of the resource has been made in consultation with the ERO. The archeological consultant shall immediately notify the ERO of the encountered archeological deposit. The archeological consultant shall make a reasonable effort to assess the identity, integrity, and significance of the encountered archeological deposit, and present the findings of this assessment to the ERO.

Whether or not significant archeological resources are encountered, the archeological consultant shall submit a written report of the findings of the monitoring program to the ERO.

Archeological Data Recovery Program. The archeological data recovery program shall be conducted in accord with an archeological data recovery plan (ADRP). The archeological consultant, Project Sponsor, and ERO shall meet and consult on the scope of the ADRP prior to preparation of a draft ADRP. The archeological consultant shall submit a draft ADRP to the ERO. The ADRP shall identify how the proposed data recovery program will preserve the significant information the archeological resource is expected to contain. That is, the ADRP will identify what scientific/historical research questions are applicable to the expected resource, what data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. Data recovery, in general, should be limited to the portions of the historical property that could be adversely affected by the proposed project. Destructive data recovery methods shall not be applied to portions of the archeological resources if nondestructive methods are practical.

The scope of the ADRP shall include the following elements:

- Field Methods and Procedures. Descriptions of proposed field strategies, procedures, and operations.
- Cataloguing and Laboratory Analysis. Description of selected cataloguing system and artifact analysis procedures.
- Discard and Deaccession Policy. Description of and rationale for field and post-field discard and deaccession policies.

- Interpretive Program. Consideration of an on-site/off-site public interpretive program during the course of the archeological data recovery program.
- Security Measures. Recommended security measures to protect the archeological resource from vandalism, looting, and non-intentionally damaging activities.
- Final Report. Description of proposed report format and distribution of results.
- Curation. Description of the procedures and recommendations for the curation of any recovered data having potential research value, identification of appropriate curation facilities, and a summary of the accession policies of the curation facilities.

Human Remains and Associated or Unassociated Funerary Objects. The treatment of human remains and of associated or unassociated funerary objects discovered during any soils disturbing activity shall comply with applicable State and Federal laws. This shall include immediate notification of the Coroner of the City and County of San Francisco and in the event of the Coroner's determination that the human remains are Native American remains, notification of the California State Native American Heritage Commission (NAHC) who shall appoint a Most Likely Descendant (MLD) (Pub. Res. Code Sec. 5097.98). The archeological consultant, Project Sponsor, and MLD shall make all reasonable efforts to develop an agreement for the treatment of, with appropriate dignity, human remains and associated or unassociated funerary objects (CEQA Guidelines. Sec. 15064.5(d)). The agreement should take into consideration the appropriate excavation, removal, recordation, analysis, custodianship, curation, and final disposition of the human remains and associated or unassociated funerary objects. If the human remains are not Native American, the archaeological consultant will notify the Roman Catholic Archdiocese of San Francisco who will be afforded a reasonable time to make recommendations to the Project Sponsor and consultant for the treatment and disposition of the remains and associated burial items. Following consultation with the Roman Catholic Archdiocese, a procedure for the treatment of non-Native American human remains and associated burial items that may include the preservation, removal, analysis, curation, or reinternment of the human remains and/or associated burial items will be formulated and implemented.

Final Archeological Resources Report. The archeological consultant shall submit a Draft Final Archeological Resources Report (FARR) to the ERO that evaluates the historical significance of any discovered archeological resource and describes the archeological and historical research methods employed in the archeological testing/monitoring/data recovery program(s) undertaken. Information that may put at risk any archeological resource shall be provided in a separate removable insert within the final report.

Once approved by the ERO, copies of the FARR shall be distributed as follows: California Archaeological Site Survey Northwest Information Center (NWIC) shall receive one (1) copy and the ERO shall receive a copy of the transmittal of the FARR to the NWIC. The Major Environmental Analysis division of the Planning Department shall receive three copies of the FARR along with copies of any formal site recordation forms (CA DPR 523 series) and/or documentation for nomination to the National Register of Historic Places/California Register of Historical Resources. In instances of high public

interest in or the high interpretive value of the resource, the ERO may require a different final report content, format, and distribution than that presented above.

EXHIBIT G
AFFIRMATIVE ACTION REQUIREMENTS

SAN FRANCISCO HOUSING AUTHORITY
SUMMARY OF AFFIRMATIVE ACTION REQUIREMENTS

TABLE OF CONTENTS

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V.	Minority-Owned and Women-Owned Business Enterprise (MBE/WBE) Opportunities	3
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I. EXECUTIVE SUMMARY

A. This document describes the Affirmative Action Requirements for covered construction and construction-related contracts. It references applicable Federal regulations and Housing Authority Resolutions, and provides sources for documents and organizations.

B. Goals and Requirements Highlights:

1. Low-Income Hiring: 30% of all new hires in each construction trade (Section 3).
2. SFHA Resident Hiring: 25% of the total workforce (Resolution No. 4967).
3. MBE/WBE Firms: 20% of the aggregate involvement (Resolution No. 2444).
4. Non-Compliance Penalties: Breach of contract, termination, suspension, debarment, $45.00 per hour for shortfalls in hours worked by residents (Resolution No. 4967).

II. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 (12 U.S.C. 1701u)

A. The Housing Authority of the City and County of San Francisco (SFHA) requires compliance with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), as amended, and its accompanying regulations in 24 CFR 135 (hereinafter called Section 3).

B. Related Documents:

1. 24 CFR 135.

2. Appendix to 24 CFR Part 135, Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents.
3. General Conditions of the Contract for Construction, HUD-5370 (4/2002), Clause 40.
4. General Contract Conditions, Non-Construction, HUD-5370-C (5/92), Clause 19.

III. SFHA COMMISSION RESOLUTION NO. 4967

A. SFHA Commission Resolution No. 4967 adopted February 22, 2001, increases the Section 3 requirements contained in 24 CFR Part 135 to require that residents of SFHA public housing constitute a minimum of twenty-five percent (25%) of the total workforce (calculated by person-hours).

B. Covered Contracts: Construction contracts over $25,000 and non-construction contracts over $50,000.

C. Compliance: The contractor's good faith efforts will be evaluated by the SFHA Contracting Officer using Appendix to 24 CFR Part 135, Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents. Non-compliance can result in penalties of $45.00 per hour for shortfalls in hours worked by residents, breach of contract, or termination, as described in Resolution No. 4967.

D. Related Documents:

1. SFHA Commission Resolution No. 4967 adopted February 22, 2001.
2. Appendix to 24 CFR Part 135, Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents.

IV. EXECUTIVE ORDER 11246

A. Under Executive Order 11246 of September 24, 1965, as amended, the SFHA requires the inclusion of the "Notice of Requirement for Affirmative Action To Ensure Equal Employment Opportunity" and the "Standard Federal Equal Employment Opportunity Construction Contract Specifications" as a condition of any grant, contract, subcontract, loan, insurance or guarantee involving federally assisted construction in excess of $10,000.

B. Related Documents:

1. 41 CFR Part 60.4.
   a. Notice of Requirement for Affirmative Action To Ensure Equal Employment Opportunity (Executive Order 11246), 41 CFR Part 60-4.2 (d).
   b. Standard Federal Equal Employment Opportunity Construction Contract Specifications (Executive Order 11246), 41 CFR Part 60-4.3 (a).
2. General Conditions of the Contract for Construction, HUD-5370 (4/2002), Clause 39.
3. General Contract Conditions, Non-Construction, HUD-5370-C (5/92), Clause 14.

V. MINORITY-OWNED AND WOMEN-OWNED BUSINESS ENTERPRISE (MBE/WBE) OPPORTUNITIES

A. Consistent with Executive Orders 11625, 12138, and 12432, and section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), as amended, the SFHA shall make efforts to ensure that small businesses, women-owned business enterprises, minority-owned business enterprises, labor surplus area business, and individuals or firms located in or owned in substantial part by persons residing in the area of an SFHA development are used when possible.

B. SFHA Commission Resolution No. 2444 adopted February 25, 1982, established SFHA MBE/WBE requirements: it is the goal of the SFHA to achieve, to the greatest extent possible, a twenty percent (20%) aggregate involvement of MBE/WBE's in construction contracts and procurement activities, by dollar volume.

C. Compliance: The San Francisco Human Rights Commission (415-252-2500) maintains a list of certified MBE/WBE firms, and will determine whether a firm is considered bona fide.

D. Related Documents:

1. SFHA Commission Resolution No. 2444 adopted February 25, 1982.
2. General Conditions of the Contract for Construction, HUD-5370 (4/2002), Clause 38.

VI. EMPLOYER AND EMPLOYEE TAX CREDITS

A. General: There are various tax credits available to both employers and employees through Federal, State and City of San Francisco programs. By hiring through a qualified program, a business may be eligible for thousands of dollars in tax credits as well as On-the-Job Training subsidies for a new employee. Each prospective contractor should consult a competent professional advisor for specific guidance about the tax credits as well as other related tax incentives, deductions or benefits.

B. Private Industry Council (PIC): The Business Services Manager of PIC in San Francisco (415-431-8700) can help fill job openings through referrals of qualified job seekers participating in the PIC Job Training program.

VII. RELATED DOCUMENTS

A. Documents referenced herein are on file at the SFHA Contract and Procurement Division, 440 Turk Street, (415-241-1041) and the SFHA Housing Development Division, 1815 Egbert Avenue, (415-715-3210). Copies will be furnished upon request. The documents are also available at the SFHA web site, www.sfha.org.

B. List of Documents:

1. SFHA Commission Resolution No. 2444 adopted February 25, 1982.
2. SFHA Commission Resolution No. 4967 adopted February 22, 2001.
3. 24 CFR Part 135.
4. Appendix to 24 CFR Part 135.
5. 41 CFR Part 60-4.
6. General Conditions of the Contract for Construction, HUD-5370 (4/2002).
7. General Contract Conditions, Non-Construction, HUD-5370-C (5/92).

(End of Document)

EXHIBIT H
RESIDENT HIRING PLAN

VALENCIA GARDENS HOPE VI REVITALIZATION
RESIDENT HIRING PLAN

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I. OBJECTIVES

Mission Housing Development Corporation (MHDC) has established this Resident Hiring Plan for the Valencia Gardens HOPE VI Revitalization. The Resident Hiring Plan builds on the resolutions, plans, and programs prepared by the San Francisco Housing Authority (SFHA), the SFHA Commission, and the Valencia Gardens Resident Council. The primary objectives of the Resident Hiring Plan are as follows:

A. Create the maximum number of job opportunities for existing residents of Valencia Gardens and other SFHA public housing residents, as a result of the Valencia Gardens HOPE VI Revitalization;

B. Achieve or exceed the 25% resident hiring requirement established by SFHA Commission Resolution No. 4967 adopted February 22, 2001;

C. Provide opportunities for the timely training of Valencia Gardens residents and other SFHA public housing residents during the revitalization program;

D. Expand the opportunities for self-sufficiency for Valencia Gardens residents and other SFHA public housing residents, as a result of the economic benefits that derive from quality employment;

E. Expose the residents of Valencia Gardens and other SFHA public housing to the various career opportunities that exist within the revitalization under the HOPE VI program

F. Comply with all Affirmative Action Requirements of the SFHA, including Section 3 of the Housing and Urban Development Act of 1968 as stated in 24 CFR 135, and Executive Order 11246 as stated in 41 CFR Part 60.4.

II. RESIDENT HIRING OPPORTUNITIES

The opportunities for resident hiring include several categories throughout the Valencia Gardens Revitalization effort:

A. Hiring residents for positions within the legal, architectural, consulting and other professional firms ("Professional Firms") that will be providing services during the predevelopment, construction, and operating phases;

B. Hiring residents for positions with the general contractor and subcontractor ("Construction Firms") that work on the construction of the project;

C. Hiring residents for positions within MHDC and its affiliated corporations during the implementation of the revitalization program;

D. Hiring residents for positions within the SFHA during the implementation of the revitalization program;

E. Hiring residents for positions within the property management firm selected during operation of the property;

F. Hiring residents for all entry-level positions within any businesses, service providers, or non-profits that may lease space in the completed Valencia Gardens property, or by businesses supplying products, materials or services during the operations phase as required by the San Francisco First Source Hiring Program, SFHA Commission Resolution No. 4886 adopted April 27, 2000, and expanding opportunities for resident hiring within businesses in the surrounding neighborhood.

III. PROCEDURES FOR IMPLEMENTATION OF THE RESIDENT HIRING PLAN:

A. MHDC will hire a Resident Hiring Coordinator to oversee the implementation of the Resident Hiring Plan for MHDC.

B. MHDC will obtain final approval of the Resident Hiring Plan from the SFHA and Valencia Gardens Residents Council.

C. It is anticipated that SFHA will provide the following:

1. Names and contact information for all Valencia Gardens residents, all HOPE VI residents, and other public housing residents who have expressed interest in employment under the Resident Hiring Plan;

2. Names and contact information for the Valencia Gardens and other public housing Tenants' Associations, the various community centers within public housing, and the timing of newsletter publications;

3. Provide Resident Hiring Coordinator with any other information that can assist in implementing the Resident Hiring Plan, such as job skill surveys of public housing residents;

4. Make appropriate SFHA staff available to assist MHDC's Resident Hiring Coordinator with the implementation of the Resident Hiring Plan, to include approaches and resources used in other HOPE VI programs.

5. Conduct job readiness training, outreach, and referrals for public housing residents seeking employment through Valencia Gardens HOPE VI development.

D. MHDC will work with the SFHA, and the various Professional Firms and the general contractor selected, to forecast the specific amount of hours and jobs anticipated for the Valencia Gardens HOPE VI Revitalization Program for both professional service and construction contracts.

E. MHDC will send all Professional Firms and Construction Firms a copy of the Resident Hiring Plan.

F. MHDC will review with all Professional Firms and Construction Firms the Resident Hiring Plan, and attach a copy of the Resident Hiring Plan, and the accompanying exhibits to each contract.

G. Construction Firms with contracts over $25,000 and Professional Firms with non-construction contracts over $50,000 (*Resolution 4967*) will be required to develop and submit to MHDC job descriptions for potential positions, along with a detailed forecast of the hours required in response to the goal. This material will be required to be submitted within 10 calendar days of the contract date, to allow time to complete outreach and training before the positions are scheduled to start.

1. Each Firm will be required to identify a Resident Hiring Manager within their respective firm who will manage the screening, interview, and hiring process for their firm.

2. Job descriptions will identify the scope of the job position, the skills, education, experience required, the salary, the projected duration of the position, and training that will be provided (if available).

H. Job descriptions provided by the Firms will be reviewed by the Resident Hiring Coordinator and the SFHA to determine their completeness and to confirm the skills and qualifications required by each position.

I. Job descriptions will be distributed to the Valencia Gardens Resident Council, to the Valencia Gardens Community and Supportive Services Staff, and to all other public housing complexes (assistance in distribution should be provided by the SFHA).

J. Interested residents will be required to contact the Resident Hiring Manager within each respective firm who will be identified on each job description.

K. The Resident Hiring Manager of each firm will be required to notify the Resident Hiring Coordinator of each inquiry by a resident for a position, and to track all inquiries (existing form to be used, or new form to be developed by the Resident Hiring Coordinator).

L. The Resident Hiring Coordinator will track the process of screening, interviewing, and hiring of each firm.

M. The Resident Hiring Coordinator will determine if a job position requires training, and assist the resident selected by each firm in the start-up of the training program.

N. The Professional Firms and Construction Firms will prepare monthly reports for MHDC, SFHA, and the Valencia Gardens Resident Council identifying the number of job positions that are available, the number of resident inquires, the number of positions filled (including the salary level and projected duration of the position).

O. The Resident Hiring Coordinator will work with SFHA, Valencia Gardens Community and Supportive Services staff, and Valencia Gardens Resident Council to complete and expand the linkages for Valencia Gardens residents to job training, childcare, and other services - with the unions, community-based job training agencies including first source agencies, and other social and economic development agencies.

P. The Resident Hiring Coordinator will work with SFHA, Valencia Gardens Community and Supportive Services staff and the Valencia Gardens Resident Council to conduct outreach, recruitment and will conduct case management of Valencia Gardens public housing residents participating in training and jobs related to the Valencia Gardens HOPE VI revitalization.

IV. OUTREACH TO RESIDENTS

A. The Resident Hiring Coordinator will establish outreach programs to locate and encourage residents of Valencia Gardens to participate in the training and employment opportunities. These programs will be reviewed and approved by the SFHA and the Valencia Gardens Resident Council.

B. The outreach programs will include skills assessments, counseling, referral and case management follow-up to appropriate job readiness and employment training, jobs and other appropriate referrals.

V. PERFORMANCE EVALUATIONS

A. MHDC, through the Resident Hiring Coordinator, will establish programs with the employers to provide performance evaluations of resident employees so that the progress and training needs of the individual resident employees can be understood and acted upon. These programs will be reviewed and approved by the SFHA, the Valencia Gardens Community and Supportive Services staff, and the Valencia Gardens Resident Council.

B. The Resident Hiring Coordinator will work with the employers to establish clear policies concerning lay-offs for resident employees, provide information to the employees concerning the policies, and provide a method for correction of deficiencies which could lead to lay-offs.

VI. JOB RETENTION

A. MHDC, through the Resident Hiring Coordinator will establish programs with the employers and unions to provide for continuing employment of residents in apprenticeships and training positions after the construction of Valencia Gardens is complete. These programs will be reviewed and approved by the SFHA and the Valencia Gardens Resident Council.

VII. APPRENTICESHIP TRAINING AND UNION LIAISON

A. MHDC, through the Resident Hiring Coordinator and SFHA, will establish working relationships with the labor organizations responsible for California State Department of Apprenticeship Standards Certified apprenticeship programs.

B. The Resident Hiring Coordinator will assist resident employees in pursuing apprenticeship training opportunities to promote progress to journeyman status in the construction trades.

C. The Resident Hiring Coordinator will assist residents in obtaining union membership, including pre-apprenticeship preparation programs, assistance in test-taking, and other established programs designed to facilitate entry into union apprenticeship programs.

VIII. COMPLIANCE

A. Record keeping: MHDC, through the Resident Hiring Coordinator and the Construction Firm's certified payroll reports will maintain records of resident hiring to demonstrate

compliance with this Resident Hiring Plan and the incorporated requirements of the SFHA Commission resolutions.

1. The records will include the outreach, training and employment efforts of each firm.

2. MHDC will require all Construction Firms with construction contracts greater than $25,000 and all Professional Firms with non-construction contracts greater than $50,000 to maintain certified payroll reports that will include a weekly or monthly employment report listing the total workforce by firm, allocating the hours of each employee to resident, Section 3, or other category, and summarizing the percentage of resident employment by firm and for the overall Valencia Gardens HOPE VI Revitalization.

3. The report shall be timely, and in a form agreed by the SFHA.

B. Review: The good faith efforts under this Resident Hiring Plan will be evaluated by the SFHA Contracting Officer using Appendix to 24 CFR Part 135, Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents.

C. Non-compliance can result in penalties of $45.00 per hour for shortfalls in resident hours worked, breach of contract, or termination, as described in Commission Resolution 4967.

D. Access to Records: Upon request MHDC shall provide the SFHA a timely copy of each weekly or monthly employment report, and shall provide access to and the right to examine any of MHDC's directly pertinent books, documents, papers, or other records involving the workforce and resident hiring for the purpose of determining compliance with the Resident Hiring Plan. MHDC agrees to include this right of access in its contracts with Professional Firms, Construction Firms, property managers, and other businesses retained by MHDC for the Valencia Gardens HOPE VI Revitalization.

IX. EXHIBITS:

1. SFHA Commission Resolution No. 4967 adopted February 22, 2001

2. SFHA Commission Resolution No. 4886 adopted April 27, 2000

3. Federal Requirement for Training and Employment of Low-Income Residents and for the Utilization of Resident Businesses (with attached Section 3 Forms)

4. Appendix to 24 CFR Part 135, Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents

END OF DOCUMENT

EXHIBIT I
PERMITTED TITLE EXCEPTIONS

1. **Property taxes**, including any assessments collected with taxes to be levied for the fiscal year 2002-2003, not currently assessed.

2. **The herein described property** lies within the boundaries of a Mello-Roos Community Facilities District ("CFD"), as follows:
CFD No: 90-1
For: School Facility Repair and Maintenance
Disclosed by: Notice of Special Tax Lien recorded July 5, 1990 in Book F160, Page 1044 and by Supplemental Notice of Special Tax Lien recorded July 11, 1990, in Book F165, Page 1 et. seq., Official Records of the City and County of San Francisco

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

3. **The lien of supplemental taxes**, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.

4. **Matters** contained in that certain document deed dated July 11, 1940, executed by Judson Estate Company, recorded August 2, 1940, Instrument No. P 5637, Book 3650, Page 131, of Official Records, which document, among other things, contains or provides for: "Save and except the improvements on the ... real property which are owned by the State of California and/or Associated Students of San Francisco State College".

Reference is hereby made to said document for full particulars.
Affects Parcel A

5. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document;

Granted to: Pacific Gas and Electric Company
Purpose: Public Utilities
Recorded: April 1, 1987, Instrument No. D967457, Book E310, Page 1395, of Official Records
Affects: A strip of land 10 feet wide over, across, under and through a portion of the Northerly 35 feet of the Easterly 230 feet of Parcel A, the center line of which is more particularly described as follows:

BEGINNING at a point on the Westerly line of Valencia Street, distant thereon 365 feet Northerly from the Northerly line of 15th Street; running thence Westerly, parallel with said line of 15th Street, 230 feet.

6. **Matters** contained in that certain document entitled "Declaration of Trust (Grant Projects)" dated January 11, 1990, executed by Housing Authority of the City and County of San Francisco in favor of U.S. Department of Housing and Urban Development Office of Public and Indian Housing recorded January 16, 1990, Instrument No. E488101, Book F41, Page 955, of Official Records, which document, among other things, contains or provides for: "The endorsement by a duly authorized officer of HUD (1) upon any conveyance of transfer made by the PHA of any real or personal property which is determined to be excess to the needs of any Project, or (2) upon any instrument of conveyance or dedication of property, or any interest therein, for use as streets, alleys, or other public rights-of-way, or for the establishment, operation and maintenance of public utilities, or (3) upon any instrument transferring or conveying a dwelling unit, or an interest herein, to a member of a tenant family, or (4) upon any instrument of release made by the PHA of any Project shall be effective to release such property from the trust hereby created".

Reference is hereby made to said document for full particulars.
and recorded: January 9, 1992, Instrument No. F052334, Book F539, Page 239, of Official Records

Affects this and other property.

7. **Conditions and restrictions** as set forth in a document recorded by the City and County of San Francisco, Department of Public Works.

Type of Permit: Minor Sidewalk Encroachment
Recorded: July 17, 1997, Instrument No. 97-G187118-00, Book G926, Page 354, of Official Records
Reference is made to said document for full particulars.

8. **Notice of Special Restrictions** under the City Planning Code of the City and County of San Francisco upon the terms and conditions contained therein
Recorded: September 17, 2003, Instrument No. 2003-H537835-00, Book I474, Page 349, of Official Records
Reference is made to said document for full particulars.

EXHIBIT J
FORM OF PRECONSTRUCTION SERVICES AGREEMENT

PRE-CONSTRUCTION SERVICES AGREEMENT

This Pre-construction Services Agreement (the "Agreement") is entered into as of this _____ day of _____, 2003 by and between the Housing Authority of the City and County of San Francisco, a public body corporate and politic, (the "Authority") and Mission Housing Development Corporation, a California nonprofit public benefit corporation, (the "Construction Manager") with reference to the following facts:

A. The Authority owns the property and the improvements located in the City and County of San Francisco (the "City") commonly known as the Valencia Gardens public housing project, located between Valencia and Guerrero Streets and between 14th and 15th Streets, as more particularly described in Exhibit A (the "Property").

B. The Property is a public housing development consisting of 246 rental units. All residents have been voluntarily relocated and the site is unoccupied.

C. The Construction Manager was selected by the Authority in accordance with U.S. Department of Housing and Urban Development ("HUD") procurement requirements described at 24 CFR 941.602 to be the developer of the Valencia Gardens project, a mixed-finance, mixed-income residential development on the Property (the "Development").

D. The Authority desires that the Construction Manager perform certain Pre-construction Work, consisting of Bid Phase Work and Demolition Phase Work (as defined below), and the Construction Manager desires to perform, for a fixed fee, such Pre-construction Work for the Authority, including contracting for the demolition of the buildings and improvements on the Property ("Existing Improvements"), as provided herein.

E. The Authority desires to grant the Construction Manager, along with the contractors who will perform portions of the Pre-construction Work, a right of entry to enter the Property to perform the Pre-construction Work, as set forth below.

NOW, THEREFORE, in consideration of the recitals hereof, and other mutual promises contained herein, the Authority and the Construction Manager agree as set forth below.

Section 1. Purpose.

The purpose of this Agreement is to set forth the obligations and responsibilities of the Construction Manager to complete the Pre-construction Work on the Property, which includes the Bid Phase Work and the Demolition Phase Work, in accordance with the terms of this Agreement.

The Construction Manager shall perform the Pre-construction Work, subject to the terms and conditions of this Agreement; (i) within the time periods provided by the Pre-construction Work Schedule (the "Schedule"), attached hereto as Exhibit B subject to force majeure, and (ii) within the budgetary framework established in a budget submitted to, and approved by, the Authority, and attached to this Agreement as Exhibit C (the "Approved Budget").

Section 2. Pre-construction Work..

The Construction Manager shall perform or shall caused to be performed the Pre-construction Work as provided in this Section 2. The Pre-construction Work consists of the Bid Phase Work and the Demolition Phase Work as defined below:

(a) The Bid Phase Work shall consist of:

(i) Obtaining pricing from the general contractor, Nibbi Brothers Construction (the "General Contractor") for the:

(1) Removal and disposal of any Hazardous Materials (as defined below) from the Existing Improvements;

(2) Demolition and removal of all Existing Improvements and contents;

(3) Testing, removal and disposal of designated contaminated soil on the Property;

(4) Geotechnical stabilization, compaction and rough grading of the Property; and

(5) Trenching support services for archacological testing program on the Property.

(ii) Negotiating and entering into a stipulated sum contract with the General Contractor to carry out the work identified under Section 2(a)(i) herein, which construction contract shall be subject to the Authority's review and approval. If the Construction Manager is unable to negotiate a stipulated sum contract, it shall notify the Authority and seek the Authority's approval for an alternative contract mechanism (such as a cost plus contract).

(iii) Obtaining pricing from contractors (the "Other Contractors") for the following demolition environmental mitigation measures:

(1) Removal, restoration and temporary storage of Bufano sculptures on loan from the San Francisco Art Commission; and

(2) Implementation of the Archaeological Research, Design and Treatment Program, as set forth in the Conditions of Approval of the Conditional Use

Authorization approved for the Development on June 26, 2003, by the Planning Commission of the City and County of San Francisco.

(iv)Negotiating and entering into stipulated sum contracts with the Other Contractors to carry out the work identified under Section 2(a)(iii) herein, which construction contracts shall be subject to the Authority's review and approval. If the Construction Manager is unable to negotiate a stipulated sum contract, it shall notify the Authority and seek the Authority's approval for an alternative contract mechanism (such as a cost plus contract).

(b) The Demolition Phase Work shall consist of:

(i) causing the General Contractor and the Other Contractors (collectively, the "Contractors") to perform the Pre-construction Work described in 2(a) above by the time set forth in the Schedule, and in the amounts set forth in the Approved Budget, and

(ii) providing the Construction Management Services described in Section 3 below for the contracts with the Contractors executed by the Construction Manager (the "Contracts").

Section 3. Construction Management Services.

The Construction Manager shall provide the following Construction Management Services in connection with the Contracts:

(a) The Construction Manager shall provide for administration of the Contracts.

(b) The Construction Manager shall coordinate scheduled activities and responsibilities of the contractors with each other and with those of the Construction Manager to ensure that the Pre-construction Work in performed in accordance with the Contracts, the Approved Budget, and the Schedule.

(c) The Construction Manager, or the General Contractor, shall schedule and conduct meetings, as the Construction Manager deems appropriate to discuss such matters as procedures, progress and scheduling. The Construction Manager shall prepare and promptly distribute minutes to the Authority. Upon request, the Authority shall be notified in advance of these meetings and shall have the right to attend.

(d) The Construction Manager shall update the Schedule, based on the performance schedules provided by the contractors. If an update indicates that the Schedule may not be met, the Construction Manager shall recommend corrective action to the Authority.

(e) The Construction Manager shall coordinate the sequence of performing the Pre-construction Work and assignment of space in areas where the contractors are performing work, consistent with the various bidding documents of the Contracts and other information provided by the contractors.

(f) The Construction Manager shall require that all contracts for any of the Pre-construction Work include a provision requiring a safety program. The Construction Manager shall review and approve the safety programs developed by each of the contractors, and shall coordinate the safety programs with those of the other contractors. The Construction Manager's responsibilities for coordination of safety programs shall not extend to direct control over, or charge of, the acts or omissions of the contractors or their subcontractors, agents or employees, or any other persons performing portions of the Pre-construction Work who are not directly employed by the Construction Manager.

(g) The Construction Manager shall record the progress of the Pre-construction Work and shall submit written progress reports monthly to the Authority, including information on each contractor and each contractor's work, as well as the entire Pre-construction Work, showing percentages of completion.

(h) The Construction Manager shall provide for the maintenance at the project site of one record copy of all Contracts, specifications, addenda, change orders and other modifications, in good order and marked currently to record changes and selections made during construction. The Construction Manager shall make all such records available to the Authority. Upon completion of the Pre-construction Work, all records shall be delivered to the Authority.

(i) Duties, responsibilities and limitations of authority of the Construction Manager as set forth in Sections 2 and 3 shall not be restricted, modified or extended without written consent of the Authority's Executive Director, which consent shall not be unreasonably withheld. Any request for such consent shall be submitted in writing to the respective entity at the address provided herein. Such request shall be deemed approved if not responded to in writing within ten (10) business days.

(j) The Construction Manager shall ensure that each of the Contracts includes a provision giving the Authority the right, at its discretion, to assume all contracts entered into by the Construction Manager pursuant to this Agreement, in the event that this Agreement is terminated.

Section 4. License to Enter.

The Authority hereby grants to the Construction Manager and its contractors a license to enter the Property for the purpose of performing the Pre-construction Work; subject to the condition precedent that prior to the commencement of the Demolition Phase Work, the Construction Manager shall have obtained all applicable permits, licenses, and governmental approvals required to commence the Demolition Phase Work.

Section 5. Termination of Agreement.

This Agreement shall terminate upon the earlier of (i) the transfer of the Property to the Construction Manager, or its affiliate, (the "Closing"), (ii) an uncured default under this Agreement, the Predevelopment Loan Agreement dated November 14, 2000 between the Authority and the Construction Manager, as amended, or any other agreement between the

parties relating to the development of the Property, which default remains uncured after notice and an opportunity to cure has been given pursuant to Section 21, or (iii) the Authority's written acceptance of the Pre-construction Work as completed. This Agreement may also be terminated by the Construction Manager, with ten (10) days written notice, for the nonpayment of amounts due from the Authority under Section 10 of this Agreement. Notwithstanding the foregoing, if the Authority decides to discontinue the Pre-construction Work at any time, the Authority may give ten (10) days written notice to the Construction Manager and may terminate this Agreement. If this Agreement is terminated by the Authority prior to completion of the Pre-construction Work, the Authority shall pay the Construction Manager for any Pre-construction Work already performed and unpaid in accordance with Section 10 below, any costs of the Construction Manager which cannot be refunded, and costs of demobilization, and the portion of the Construction Management Fee due as of the date of termination.

Section 6. Work Pursuant to Contracts.

The Construction Manager shall cause the work under the Contracts to be performed in accordance with the terms and conditions of the Contracts and the City's permits and approvals, the Schedule and Approved Budget; provided, however, that the Construction Manager may request an amendment to the Schedule or the Approved Budget if the Construction Manager deems it to be warranted, which request shall not be unreasonably withheld or delayed. Representatives of the Authority shall have the right to inspect and monitor the Pre-construction Work at reasonable times; provided, however, that the Authority shall not bear any liability or responsibility for the Pre-construction Work as a result of its review, approval or monitoring.

Each Contract entered into by the Construction Manager pursuant to the terms of this Agreement shall provide (1) that the Authority is a third-party beneficiary of such Contract, (2) that the Contractor may seek payment under such Contract only from the Authority and not from the Construction Manager, and (3) that all requests for payment under such Contract shall be made in accordance with the procedure set forth in Section 10 of this Agreement.

Section 7. Change in Contracts.

If the Construction Manager desires to make a change in a Contract or Contingency Fund (as defined in the Budget attached hereto as Exhibit C), which increases or decreases the amount of such Contract or Contingency Fund by at least $25,000 ("Change Order"), the Construction Manager shall submit the proposed Change Order to Authority's Executive Director for his approval. The Authority shall either approve or disapprove such proposed Change Order within ten (10) business days of receipt, and if not approved or disapproved in that period, such proposed Change Order shall be deemed approved. If a proposed Change Order is disapproved, the previously approved Contract shall continue to remain in full force and effect. The Authority's approval of Change Orders shall not be unreasonably withheld. If required by City ordinance, the Construction Manager shall also submit any proposed Change Order to the City for its approval. The Construction Manager shall promptly notify the Authority in writing of any other material changes in the Contracts.

Notwithstanding the foregoing, if, during the course of the Pre-construction Work, the Construction Manager determines that a Change Order is necessary and, because extenuating circumstances, it must be implemented prior to completion of the Authority's ten (10)-day review period, the Construction Manager shall immediately notify the Authority by fax, telephone, and electronic mail, of the impending Change Order. Failure by the Authority to respond within three (3) business days shall be deemed approval of the Change Order. Within ten (10) business days of approval of the Change Order, the Construction Manager shall provide supplemental information to the Authority as requested. The Construction Manager shall not be responsible for increased costs or schedule delays resulting from approved Change Orders, except to the extent that such changes are due to negligence or intentional misconduct of the Construction Manager, its employees, contractors, affiliates, successors or assigns.

Section 8. Commencement of Work.

The Construction Manager shall commence the Pre-construction Work no later than the date provided in the Schedule, provided that on or before such date, all conditions precedent to the commencement of the Pre-construction Work have been satisfied, including but not limited to: (i) approval of this Agreement by HUD; (ii) demolition approval by HUD; (iii) completion of the Section 106 review process; (iv) issuance of a demolition permit by the City; and (v) approval of the soil management plan by the City, and by the California Department of Toxic Substance Control, if required; and (vi) approval by the Authority of the Contracts and evidence of all insurance required under this Agreement. Notwithstanding the above, the parties acknowledge and agree that the condition precedent stated in subsection (v) above has been satisfied as evidenced by a letter dated June 26, 2003 addressed to the Construction Manager by the City's Department of Public Health, Occupational and Environmental Health, approving the soil management plan.

Section 9. Completion of Work.

The Construction Manager shall cause the Pre-construction Work to be performed diligently and to be completed by the date in the Schedule; provided, however, that the Construction Manager shall be entitled to discontinue the Pre-construction Work upon the failure of the Authority to make any payments to the Construction Manager until such payment is made, unless the Construction Manager is then in default hereunder; and provided further that if such payment is not made within thirty (30) days after the due date, the Construction Manager shall have no further obligations hereunder to perform the Pre-construction Work and shall assign its interests in any Contract then in effect to the Authority, at which time all amounts due to the Construction Manager shall be paid by the Authority.

Upon completion of the Pre-construction Work, the Construction Manager shall notify the Authority, and the Authority shall inspect the Property. If, after such inspection, the Authority determines in its reasonable judgment that the Pre-construction Work has been completed, the Authority shall certify in writing that the Pre-construction Work is completed.

Section 10. Payment by Authority.

(a) Draw Requests. The Authority shall provide funding for the Pre-construction Work on a direct payment basis, plus a Construction Management Fee in the amount and payable only as set forth in subparagraph (d) of this Section 10, and the cost-reimbursement based upon monthly draw requests from the Construction Manager in accordance with the approved Contracts, provided that such draw requests shall be certified by the Construction Manager and approved by the Authority using its reasonable discretion.

(b) Payment. The Authority shall pay such approved draw requests within thirty (30) days after the Authority receipt of each approved draw request ("Due Date"). Failure to make such payments within such time, unless the Construction Manager is then in default, shall relieve the Construction Manager, and its successors and assigns, of responsibility to proceed with the Pre-construction Work until such time as the Authority makes such payment; provided that if such payment is not made within thirty (30) days after the Due Date and ten (10) days' written notice is provided to the Authority that the Construction Manager intends to terminate this Agreement, the Construction Manager, and its successors and assigns, shall have no further obligations hereunder to perform the Pre-construction Work and the Authority shall pay the Construction Manager for any Pre-construction Work already performed, any costs of Construction Manager under the Contracts that cannot be refunded, any costs of demobilization and the portion of the Construction Management Fee due as of the date of termination.

(c) Construction Management Fee. The Authority shall pay the Construction Manager a total fee of $245,000 (the "Construction Management Fee") for the performance of the Pre-construction Work in conformance with this subparagraph. The Authority shall pay the Construction Management Fee to the Construction Manager in three installments: 1/3 upon completion of the Bid Phase Work, 1/3 upon 50% completion of the Demolition Phase Work, and 1/3 upon completion of the Pre-construction Work and final acceptance by the Authority.

(d) Contract Limit. Notwithstanding any other provision of this Agreement, the Authority's obligations under this Agreement shall not exceed $3,365,844.

Section 11. Condition of Property; Compliance with Laws.

The Construction Manager shall comply with all laws, ordinances, rules, regulations, and orders of any governmental agency having jurisdiction over the Property, in carrying out the Pre-construction Work. The Construction Manager shall maintain the site in a safe and secure condition, including the use of fencing, support of retaining walls, and other methods, as necessary, during the entire performance of Pre-construction Work on the Property. Upon completion of the Pre-construction Work, the Construction Manager shall ensure that the Property is in a safe, secure and sanitary condition, to the reasonable satisfaction of the Authority.

Prior to the commencement of the Pre-construction Work, the Authority shall remove from the Property all items that the Authority intends to keep, lock the existing perimeter fencing

and entrances to the existing structures, provide all keys for the Property to the Construction Manager, and arrange for the shut-off of all utilities to the Property.

Section 12. Contracts.

The Construction Manager shall enter into the Contracts for the demolition of the Existing Improvements and the other Pre-construction Work, as provided in Section 2 above. Such Contracts shall provide for the work to be performed for fixed and guaranteed maximum amounts or other arrangements consistent with Section 2(a)(iii) above. Prior to the commencement of the Pre-construction Work, copies of the proposed Contracts shall be tendered to Authority, which shall have ten (10) business days in which to review them and give its written approval or written reasons for disapproval. If any proposed Contract is disapproved, the process shall be repeated until all Contracts shall have been approved in writing by Authority, for the purpose of approving the contractors and the amounts of the Contracts; provided, however, that if the Authority gives its second disapproval of a Contract, the schedule of performance required under this Agreement shall be suspended until the Contract is approved by the Authority.

Section 13. Equal Opportunity.

During the performance of the Pre-construction Work, the Construction Manager shall not discriminate on the basis of race, color, creed, religion, sex, sexual orientation, gender identity status, age, disability, marital status, condition of Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related complex, national origin or ancestry in the hiring, firing, promoting or demoting of any person engaged in the construction work. The Construction Manager also shall adhere to the Authority's Affirmative Action Requirements, which are attached hereto as Exhibit D, and the Valencia Gardens HOPE VI Revitalization Resident Hiring Plan, which is attached hereto as Exhibit E.

Section 14. Prevailing Wages.

To the extent required by HUD, the Construction Manager shall pay, or cause to be paid, prevailing rates of wages contained in the wage determination decision of the Secretary of Labor (Davis-Bacon wages) furnished to by the Authority to the Construction Manager for each contract, for work done in connection with this Agreement. The Construction Manager shall require its contractors performing the Pre-construction Work to maintain certified payrolls, and to submit copies of such certified payrolls to the Authority as required by HUD, in order to verify compliance with these requirements.

Section 15. Bonds; Warranties.

With regard to the Pre-construction Work, the Construction Manager shall cause the Authority to be protected by labor and material bonds and performance bonds and/or other assignment of guarantees and warranties acceptable to the Authority as the Authority may approve, which approval shall not be unreasonably withheld. The Construction Manager shall

cause the Authority to be named as a co-obligee on the bonds and deliver copies to the Authority prior to the commencement of the demolition phase of the Pre-construction Work.

Section 16. Hazardous Materials.

(a) Definitions. The following special definitions shall apply for the purposes of this Section 16:

(i) "Hazardous Materials" shall mean:

(1) any "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(d) or 25316 of the California Health and Safety Code at such time;

(2) any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code at such time;

(3) any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water Act (42 U.S.C. Section 3000 (f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clear Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 3900 et seq.), or California Water Code (Section 1300 et seq.) at such time; and

(4) any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Property.

(ii) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Property or any portion thereof.

(b) Certain Covenants and Agreements. The Construction Manager hereby covenants and agrees as follows:

(i) The Construction Manager shall not knowingly permit the Property or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Property; provided however that, for the purposes of this subsection (b) only, the term "Hazardous Materials" shall not include: materials located in, on or under the Property as of the date hereof, materials in reasonable quantities for lawful use in the demolition of the Existing Improvements and the remaining Pre-construction Work; reasonable quantities of gardening materials, household products, office supply products or janitorial supply products of the type customarily used in the construction, maintenance, demolition, or associated with

buildings and grounds, or typically used in household activities or the commercial establishments on the Property, so long as used in a lawful manner; certain substances which may contain chemicals listed by the State of California pursuant to Health and Safety Code Sections 25249.8 et seq., which substances are commonly used in reasonable quantities and in a lawful manner by a significant portion of the population living within the region of the Property.

(ii) The Construction Manager shall keep and maintain the Property and each portion thereof in compliance with, and shall not cause or permit the Property or any portion thereof to be in violation of, any Hazardous Materials Laws;

(iii)Upon receiving actual knowledge of the following, the Construction Manager shall immediately advise Authority in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Construction Manager or the Property pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third-party against the Construction Manager or the Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Property; or (D) the Construction Manager's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Laws.

(iv)Without Authority's prior written consent, which shall not be unreasonably withheld, the Construction Manager shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Property (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims. Notwithstanding the foregoing, the Authority acknowledges that the work for which the Construction Manager will be contracting will involve the disturbance of the ground at the sites.

(c) Authority Indemnity. The Authority hereby agrees to indemnify, protect, hold harmless and defend Construction Manager, its members, shareholders, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs), arising directly or indirectly, in whole or in part, out of the presence or discovery of any Hazardous Materials which were present on the Property as of the date of this Agreement, including but not limited to the handling, treatment, removal, storage, decontamination, cleanup, transportation or disposal, which first occur at any time after the date of this Agreement, of such Hazardous Materials into, on, under or from the Property at any time after the date of this Agreement. The

Authority shall not be obligated to indemnify Construction Manager under this provision with respect to, and to the extent of, the negligence or intentional misconduct of the Construction Manager, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

(d) Construction Manager's Indemnity. The Construction Manager hereby agrees to indemnify, protect, hold harmless and defend the Authority, its board members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs), arising directly or indirectly, in whole or in part, out of the failure of the Construction Manager, its members, contractors, affiliates, or successors or assigns to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal, which first occur at any time after the date of this Agreement, of such Hazardous Materials into, on, under or from the Property at any time after the date of this Agreement.

(e) The provisions of paragraphs (c) and (d) of this Section 16 shall survive the termination of this Agreement.

Section 17. Required Insurance Coverage.

The Construction Manager shall obtain and maintain, or cause their contractors performing the Pre-construction Work to obtain and maintain in full force and effect during the full term of the Contract, and require all sub-contractors to maintain the same, the insurance requirements listed below, and in a solvent company or companies that maintain a rating of B+ or better and admitted to sell insurance in California through the Department of Insurance. This insurance must be under the usual terms employed by casualty companies in California, naming the Authority and its respective members, officers, agents and employees as additional insured. Such insurance shall protect such additional insured from the Construction Manager's or contractors as applicable, performance of the Contract with the Authority, or the nature of the services provided, or any operations under or connected with the Contract with the Authority.

(a) **Comprehensive General Liability Insurance** with limits not less than Five Million Dollars ($5,000,000) per occurrence with Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, and Completed Operations coverage.

(b) **Comprehensive Automobile Liability Coverage** with limits not less than One Million Dollars ($1,000,000) for each occurrence with a Combined Single Limit for Bodily Injury and Property Damage.

(c) **Workers' Compensation Insurance** with limits as required by the State of California, covering all persons employed in connection with the Property and with respect to

whom death, bodily injury, or sickness insurance claims could be asserted against Authority or the Construction Manager (Currently $1 Million for each accident).

(d) **Hazardous Materials Policy** or policies of comprehensive general liability and property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Property, including, but not limited to, coverage for explosion hazard and collapse/underground hazard and a rider deleting the Hazardous Materials exclusion. The limits of such insurance shall be not less than Five Million Dollars ($5,000,000) combined single limit for bodily injury and property damage.

Section 18. Insurance Policies and Premiums.

(a) All liability policies required by this Agreement shall name Authority as an additional insured. Duplicate copies of such policies or certificates of such insurance shall be promptly furnished to Authority before the commencement of the Pre-construction Work.

(b) That such policies are primary insurance to any other insurance available to the Authority, as an additional insured, with respect to any claims arising out of this Agreement, and that the insurance applies separately to each insured against which claim is made or legal action instituted, but the inclusion of more than one insured shall not increase the insurer's limits of liability.

(c) To the extent obtainable, any policy of insurance shall provide that any change or cancellation of said policy must be made in writing and sent to the Construction Manager and Authority at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

(d) The Construction Manager shall have no obligation to restore the Existing Improvements in the event of a casualty or peril which damages such improvements; provided, however, that nothing herein is intended to relieve the Construction Manager of responsibility for any increased costs of performing the Pre-construction Work resulting from any negligent or wrongful act or omission of the Construction Manager, its members, affiliates, agents, contractors, subcontractors or employees.

(e) All proofs of insurance shall be delivered to the following:

Housing Development and Modernization Department
San Francisco Housing Authority
1815 Egbert Street, Suite 300
San Francisco, CA 94124
Attn: Barbara Smith, Administrator
Phone: (415) 715-3220
Fax: (415) 715-3201

Section 19. Indemnification.

(a) To the fullest extent permitted by law, the Construction Manager shall indemnify and hold harmless the Authority, its board members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against claims, damages, losses and expenses, including but not limited to reasonable attorneys' fees, arising out of, or resulting from, any act or omission of the Construction Manager in performing any obligation of the Construction Manager under this Agreement, but only to the extent caused by negligent act or omission or intentional misconduct of the Construction Manager, the Contractors, or anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

(b) To the fullest extent permitted by law, the Authority shall indemnify and hold harmless the Construction Manager, its members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against claims, damages, losses and expenses, including but not limited to reasonable attorneys' fees, arising out of, or resulting from any act or omission of the Authority in performing any obligation of the Authority under this Agreement, but only to the extent caused by negligent act or omission or intentional misconduct of the Authority or anyone directly or indirectly employed by it or anyone for whose acts it may be liable.

(c) To the fullest extent permitted by law, the Construction Manager shall cause the contractors to assume the defense of the Authority and indemnify and hold harmless the Authority, its officers and employees against any claim, loss, damage, injury (including, without limitation, injury to or death of an employee of the contractors or subcontractors) and liability of every kind, nature and description (including without limitation, incidental and consequential damages, court costs, attorney's fees and costs of investigation) that arise directly or indirectly from (i) the obligations under this Agreement, and/or (ii) any act or omission of the General Contractor, any contractor, anyone directly or indirectly employed by them, or anyone that they control.

To the extent, however, that the foregoing provision imposes an obligation on a contractor which does not involve any negligence or other breach of obligation on the part of the contractor or its subcontractors, then provided the contractor is in compliance with the insurance requirements provided herein, such obligation shall be limited to the extent to which it is covered by the contractor's insurance and that of its subcontractor's insurance, in no event, however, shall the contractor's liability or indemnification responsibilities be so limited in the event of negligence or other breach of obligation on the part of the contractor or its subcontractors.

(d) The provisions of this Section 19 shall survive the termination of this Agreement.

Section 20. Default.

Any failure of either party to observe and perform any covenant, condition or agreement hereunder on its part to be performed shall constitute a default hereunder. Whenever any default shall have occurred and not be cured as provided in Section 21 of this Agreement, the

nondefaulting party may take whatever action at law or in equity as may appear reasonably necessary to enforce performance or observance of any obligations, agreements, or covenants under this Agreement, including without limitation, termination of this Agreement in accordance with Section 5 hereof. In the event of such default, the nondefaulting party's remedies shall be cumulative, and no remedy expressly provided for in this Section shall be deemed to exclude any other remedy allowed by law.

Section 21. Notice of Default and Opportunity to Cure.

In the event of any default by the Construction Manager, the Authority shall give written notice to the Construction Manager of any default by specifying: (a) the nature of the event or deficiency giving rise to the default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than ten (10) business days from the date of receipt of the notice or the date the notice was refused, by which such action to cure must be taken, or if a cure cannot be accomplished in ten (10) business days, within a reasonable time thereafter.

Section 22. Unavoidable Delay in Performance.

The time for performance of provisions of this Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Pre-construction Work or this Agreement which is caused by: war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, quarantine restrictions, lawsuits, failures of governmental agencies (other than the Authority) to issue permits or approvals, the discovery of hazardous materials or historically-significant materials, or freight embargoes or other events beyond the reasonable control of the party claiming the delay. An extension of time for any of the above-specified causes will be deemed granted only if written notice by the party claiming such extension is sent to the other party within five (5) business days from the discovery of the commencement of the cause as it relates to the Agreement, and such extension of time is either accepted by the other party in writing, or is not rejected in writing by the other party within ten (10) business days of receipt of the notice. Times of performance under this Agreement may also be extended for any cause for any period of time by the mutual written agreement of the Authority and the Construction Manager.

Section 23. Notices, Demands and Communications.

Unless otherwise provided herein, formal notices, demands and communications between the Construction Manager and the Authority shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of the Construction Manager and the Authority as follows:

Authority: Housing Development and Modernization Department
San Francisco Housing Authority
1815 Egbert Street, Suite 300
San Francisco, CA 94124
Attn: Barbara Smith, Administrator
Phone: (415) 715-3220
Fax: (415) 715-3201
E-mail: smithb@sfha.org

With copy to: San Francisco Housing Authority
440 Turk Street
San Francisco, CA 94102
Attn: Gregg Fortner, Executive Director
Phone: (415) 554-1296
Fax: (415) 241-1024
E-mail: fortnerg@sfha.org

Construction Manager: Mission Housing Development Corporation
474 Valencia Street, Suite 280
San Francisco, CA 94103
Attn: Carlos Romero, Executive Director
Phone: (415) 864-6432
Fax: (415) 864-0378
E-mail: cromero@missionhousing.org

Section 24. Disclaimer of Relationships.

The Authority and the Construction Manager acknowledge that any transfer of HOPE VI grant funds or other HUD grant funds by the Authority to the Construction Manager shall not be or be deemed to be an assignment of HOPE VI or other grant funds, and the Construction Manager shall not succeed to any rights or benefits of the Authority under the Annual Contributions Contract between the Authority and HUD (the "ACC") or the HOPE VI Grant Agreement (the "Grant Agreement"), or attain any privileges, authorities, interests, or rights in or under the ACC or Grant Agreement.

Nothing contained in the ACC or Grant Agreement or in any agreement between the Authority and the Construction Manager, nor any act of HUD or the Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Authority as provided under the terms of the ACC or Grant Agreement.

Section 25. Independent Contractor.

The Construction Manager, and any and all contractors and subcontractors performing work pursuant to this Agreement are independent contractors. Any agency relationship created

by this Agreement shall be limited in scope to activities undertaken in furtherance of the work to be performed hereunder.

Section 26. Attorneys' Fees and Costs.

In the event any default or any legal or administrative action is commenced to interpret or to enforce the terms of this Agreement, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees (which as to any party shall include the allocated reasonable costs for services of any party's in-house counsel) and costs in such action.

Section 27. Time.

Time is of the essence in this Agreement.

Section 28. Assignment.

The Construction Manager may not assign its interests under this Agreement without the prior written consent of the Authority.

Section 29. Binding Effect.

This Agreement shall inure to and bind the parties hereto, their respective representatives, successors and assigns.

Section 30. Counterparts.

This Agreement may be executed in counterparts, all of which taken together shall be deemed one original agreement.

Section 31. Captions.

Sections, titles, or captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any of its provisions, and are for convenience of reference only.

Section 32. Governing Law.

This Agreement shall be construed in accordance with and be governed by the provisions of the law of the State of California.

Section 33. Waiver.

No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with the waiver. No waiver of any breach or any failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

Section 34. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereunder with respect to this subject and this Agreement may not be modified except in writing signed by authorized representatives of each party.

Section 35. Effective Date.

This Agreement shall become effective upon the date first written above, subject to the conditions to the performance of any Pre-construction Work set forth herein.

Section 36. Severability.

If any provision of this Agreement or the application of any provision to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

WHEREFORE, the Authority and the Construction Manager have entered into this Agreement as of the date first set forth above.

AUTHORITY	CONSTRUCTION MANAGER
HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body corporate and politic	MISSION HOUSING DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation
By: _____ Gregg Fortner	By:_____ Carlos Romero Carlos Romero
Its: Executive Director	Its: Executive Director
APPROVED AS TO FORM AND LEGALITY BY:	By:_ Larry Del Carlo
	Its: Board Chair
_____ Donna Martin, General Counsel	

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SAN FRANCISCO HOUSING AUTHORITY

440 Turk Street • San Francisco, California • 94102 • (415) 554-1200

DATE: November 7, 2003

TO: **SAN FRANCISCO HOUSING AUTHORITY COMMISSIONERS**

Julie Lee, President
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

FROM: Gregg Fortner, Secretary/Executive Director

SUBJECT: RESOLUTION MAKING FINDINGS IN CONNECTION WITH ENVIRONMENTAL REVIEW; AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A DISPOSITION AND DEVELOPMENT AGREEMENT WITH MISSION HOUSING DEVELOPMENT CORPORATION (MHDC); AND AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE EVIDENTIARIES FOR THE HOPE VI REVITALIZATION OF THE VALENCIA GARDENS PUBLIC HOUSING SITE

OVERVIEW

This resolution requests that the Commission make certain findings and take certain actions for revitalization of the Valencia Gardens public housing site that are essential for completing final predevelopment work prior to closing and start of construction at which time additional Commission actions will be required. The findings and actions being presented to the Commission for action include:

(1) Make findings in connection with the environmental review.
(2) Authorize the Executive Director to enter into a Disposition and Development Agreement (DDA) with Mission Housing Development Corporation (MHDC) for the Valencia Gardens Revitalization.
(3) Authorize the Executive Director to negotiate any and all other documents and agreements which are required in connection with the reconstruction, financing operation and management of the Valencia Gardens revitalization subject to Commission approval before execution.

The terms of the DDA constitute the terms of agreement between the Authority and MHDC on the design, construction, financing, performance schedule, ownership, management and

repurchase options. The DDA establishes the project parameters to be used to solidify financing commitments from private and public lenders and investors. This document has been negotiated between MHDC and the Authority with the assistance of Goldfarb Lipman, outside real estate counsel, and CSG Advisors, outside financial advisors.

PROCUREMENT

The procurement process for the action covered by this Resolution meets the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1, "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and the State of California and local laws.

The Authority solicited responses to an RFP on May 28, 1997, requesting interested developers to submit proposals for the demolition and redevelopment of Valencia Gardens. In October 2000, the Commission authorized the Executive Director to negotiate a Developer Partner MOU and Predevelopment Loan Agreement with the highest ranked development team, Mission Housing Development Corporation (MHDC).

As the Authority's developer partner procured under 24 CFR 85.36, MHDC procurements are now under the HUD procurement standards of 24 CFR Part 941, "Public Private Partnerships for the Mixed Finance Development of Public Housing Units". Following these procurement standards, MHDC formed a seven-person panel including one Valencia resident and one Authority staff person, and selected a design team of architects and engineers led by Van Meter Williams Pollack and Nibbi Brothers Construction as General Contractors. Upon completion of the Construction Document Phase, the General Contractor will solicit competitive bids from a minimum of three (3) qualified subcontractors and/or suppliers per trade for the construction.

OBJECTIVES

Adoption of this resolution authorizes execution of a DDA between the Authority and MHDC (ATTACHMENT 1), thereby allowing the commencement of negotiations for all other documents and agreements which are required in connection with the reconstruction, financing operation and management of the Valencia Gardens revitalization that will be subject to Commission approval before execution.

PRESENT SITUATION

The DDA is based on previously executed documents that were authorized by the Commission including the HOPE VI Grant Agreement between the Authority and HUD and the following agreements between the Authority and MHDC: Memorandum of Understanding, Predevelopment Loan Agreement and Preconstruction Services Agreement (PSA). The DDA delineates the overall revitalization plan, responsibilities of the parties, financing, ownership

structure, insurance and indemnification requirements, timeframe and business parameters for the revitalization. This document becomes the basis for subsequent documents being negotiated as part of the revitalization including, but not limited to, a new HUD declaration of trust, a ground lease, a regulatory and operating agreement, loan agreements, option agreements, an amendment to the Annual Contributions Contract, a management plan, and numerous documents related to the proposed tax exempt bonds and syndication of low-income housing tax credits.

The HUD approved revitalization plan calls for demolition of the existing structures and construction of 260 new apartments with up to 11,000 square feet of community facilities, childcare center, computer learning center and property management offices. Approximately eighty percent of the newly constructed apartment units will be PHA replacement units with Annual Contributions Contract or Section 8 project-based subsidies and approximately twenty percent will be low-income housing tax credit units for households with incomes at or below sixty percent of the area median income. Community building activities, including economic development, self-sufficiency, supportive services, employment training and computer learning center must be a core part of the revitalization effort in order to assist current and future low income residents to gain self-sufficiency and revitalize the neighborhood.

The DDA provides for the Authority to enter into a Ground Lease with MHDC, the Limited Partnership or the certain Affiliate to facilitate the development of the new housing and amenities with funding from the HOPE VI Grant and other public and private sources. The Limited Partnership will be a California Limited Partnership formed in accordance with the DDA. During construction MHDC or their affiliate will be the sole general partner, the Authority's Affiliate will be a special limited partner and the Tax Credit Investor will be the other limited partner. The new housing improvements will be owned and operated during the Tax Credit Compliance Period by the Limited Partnership. After construction is complete, the Authority Affiliate is admitted as a co-general partner with the MHDC affiliate as the managing general partner, and the Tax Credit Investor is the Special Limited Partner of the Limited Partnership.

The rent-restricted residential units will be leased to income-qualified tenants at affordable rents in accordance with the requirements of HUD and applicable public funding programs. After expiration of the Tax Credit Compliance Period, in approximately 15 years, the Authority will have the option to purchase the improvements at a cost of no more than outstanding debt, which shall be accomplished by the Authority's assumption of the indebtedness, plus exit taxes.

On August 14, 2003, the Commission adopted as the Authority's own certain findings and determinations of the Planning Commission for the proposed revitalization of Valencia Gardens. The DDA incorporates the Environmental Impact Report (EIR) certified by the Planning Commission pursuant to the California Environmental Quality Act (CEQA) and the Environmental Assessment (EA) certified by the San Francisco Field Office of HUD for Valencia Gardens as the environmental documentation for the transactions contemplated in the DDA. In addition, the DDA incorporates the EIR and EA required mitigation measures and monitoring program.

The following work has been recently accomplished:

- Representatives of residents, neighborhood associations, Authority staff and MHDC continue regular meetings to discuss the revitalization plans and progress.
- MHDC engaged a construction contractor to provide value engineering, construction cost estimating, and competitive bidding for demolition and construction.
- MHDC developed MBE/WBE participation plan and Resident Hiring Plan incorporated as exhibits to the DDA.
- Obtained unanimous San Francisco Planning Commission approval for the Conditional Use Authorization for Valencia Gardens revitalization on June 26, 2003.
- Awarded $7 M in state Multifamily Housing Program funds June 2003.
- Completed State (CEQA) Environmental Impact Report process and obtained approvals on June 26, 2003.
- Relocated all residents from the Valencia Gardens site in July 2003.
- Applied for $5 M in Redevelopment Agency financing and secured executive staff recommendation of approval.
- Removed Bufano sculptures to Arts Commission conservator on September 10, 2003.
- Completed the Federal NEPA Environmental Assessment and obtained HUD approval of the Request For Release of Funds on September 18, 2003.
- Completed 100 percent Design Development Documents with review by the California Housing Finance Agency and HUD September 17, 2003.
- Completed construction cost estimate based on 100 percent Design Development Documents and value engineering by October 31, 2003.
- Applied to the California Housing Finance Agency for tax-exempt bond and tax credit allocations.
- Executed the Preconstruction Services Agreement on September 29, 2003 and issued notice to proceed for Hazardous Material Remediation and Demolition that is underway with 9 resident hires.
- Obtained the Demolition Permit from the City on October 30, 2003.

Next tasks to be accomplished:

- Begin building demolition November 17, 2003.
- Prepare and submit California Debt Limit Allocation Committee application in December 2003.
- Develop and negotiate evidentiary documents from December 2003 through April 2004.
- Cost of construction update by contractor 50 percent completion of construction documents in February 2004.
- Construction documents 100 percent complete by May 2004.
- Commission authorization to submit Closing Documents to HUD by May 2004.
- All financing commitments will be in place by July 2004.
- Evidentiaries/closing documents will be completed and submitted to HUD by July 2004.
- Closing will take place in September 2004.
- Construction of the new buildings will begin in October 2004 and completed by April 2006.

As stated above, the DDA becomes the basis for negotiating the documents that will be negotiated over the next several months. Commission review and approval will be required for execution of these documents prior to start of construction.

1. Rental Term Sheet (Mixed Finance Proposal)—This HUD HOPE VI required submission summarizes the HOPE VI development proposal including: the number of units, unit sizes, ownership structure, reserves, sources and uses of funds, developer fees and public housing operating subsidy methodology. Many of the substantive terms of the Rental Term Sheet are duplicated at closing in the Mixed Finance Amendment to the Annual Contributions Contract (see #2 below).

2. Mixed Finance Amendment to the Consolidated Annual Contributions Contract (ACC)—This HUD HOPE VI required document amends the San Francisco Housing Authority's (Authority) existing Annual Contributions Contract (ACC) with HUD specifically for Valencia Gardens. Each of the Authority's HOPE VI projects (Hayes Valley, Bernal Dwellings, Plaza East and North Beach) has its own Mixed Finance Amendment to the ACC. The various exhibits to this document describe the parties to this transaction, the financing, the unit mix, the flow of funds into the project during construction, and the list of all evidentiary documents that must be approved by HUD.

3. Ground Lease Agreement—This agreement will convey a leasehold interest in the property to a Valencia Gardens limited partnership described above under ownership. During the term of the lease, the Partnership would not be able to alter the public housing or affordability restrictions on the project, resident hiring requirements, tenant selection criteria without the approval of the Authority.

Under the Ground Lease, the Partnership may be obligated to make certain payments to the Authority and Valencia reserves, including:

a) A percent of cost savings achieved on the project after completion of construction.
b) A payment to fund an Affordability Reserve for the ACC units, in case of reduction or elimination of the public housing ACC operating subsidy provided to Authority by HUD.
c) A payment to fund the Initial Operating Period Reserve, which will pay for operations of the public housing units after lease-up and prior to start up of HUD public housing ACC subsidies for the new housing (any unused funds will pass to Authority).
d) Replacement Reserve in the amount of $350 per unit.
e) A percent of Residual Receipts from the Section 8 units, which, together with the ACC units, comprise the Public Housing Replacement units.

The term of the lease would be 65 years. The terms of the leases for Bernal Dwellings, Plaza East and North Beach are 75 years. The terms are this long because they need to be longer than the 55-year affordability restrictions imposed by the Tax Credit Allocation Committee (TCAC), and allow sufficient time after those restrictions expire to permit, at least in theory, the collection of market rents to pay for previously accrued rent or HOPE VI loan repayments under this lease.

The Authority will retain its fee interest in the land, encumbered only by the land use restrictions and the Declaration of Trust.

4. Purchase Option Agreement & Right of First Refusal—Authority will have an option to purchase the development after 15 years of operation, which is the TCAC tax credit compliance period. At this time, the investor-limited partner will leave the Partnership, provided any exit taxes are paid by the purchaser. The purchase price of the development will be the amount of the exit taxes and any outstanding debt. This debt may either be assumed by the Authority or paid off as part of a refinancing of the project.

6. Regulatory and Operating Agreement—This agreement between the Partnership and the Authority is expected to provide for the Partnership to receive not more than 95% of the operating subsidy the Authority receives from HUD for operation of the public housing ACC units in the project. It also would provide various reserves required by HUD to operate the project. If HUD reduces or eliminates its ACC subsidy to Authority, this document allows for "transformation remedies" to address the resulting funding gap that will be consistent with HUD public housing requirements and reviewed by the Authority prior to implementation. These remedies may include a development cost cutting plan, increasing the income and rental level of new public housing eligible tenants as vacant units are leased, and providing Section 8 and otherwise encourage lower-income tenants to vacate the development in favor of higher income public housing eligible tenants.

7. Affordability Reserve Escrow Agreement—This document provides for the Partnership to fund, from non-Authority sources, a reserve which will supplement operating revenues in the event of a reduction or elimination of the ACC operating subsidy. This reserve is the property of the Authority for use in this development.

9. Management Agreement—This document between the Partnership and its property management agent will set out the contractual terms for the management of the residential portion of the project.

10. Management Plan—This document between the Authority, the Partnership, and the property management company will set out the tenant selection criteria, screening process and lease-up procedures to be utilized in filling vacancies at the project, both initially and over time. Relocated Valencia Gardens public housing residents who are in good standing have first right to return to the new housing. The Plan applies to public housing ACC units, Section 8 units and tax credit units that are not subsidized by either one of those programs.

11. HOPE VI Construction/Permanent Loan—By this document, the Authority will provide a loan of HOPE VI funds to the Partnership to assist with construction of the development. Interest will accrue during the term of the agreement. The principal and outstanding interest are due and payable to the Authority upon expiration of the loan term. The Authority's predevelopment loan to the developer is part of this loan and is deemed previously disbursed.

12. HOPE VI Loan Promissory Note—This document evidences the Authority's loan to the Partnership for construction of the project. The note would be nonrecourse to the Partnership. It is supported by a completion guaranty by the developer.

13. Deed of Trust Assignment of Rents & Security Agreement—This document will be executed by the Partnership for the benefit of the Authority and will be recorded against Partnership's leasehold interest in the project as security for the HOPE VI Loan.

BUDGET CONSIDERATIONS

The Authority shall have no contractual liability to pay or provide any amount of funding to the Developer or for the Revitalization under this Agreement except as described in the DDA. The Authority's expected financial commitment to the Development Components under the DDA is limited to $18,380,641 or the $23,230,641 HOPE VI Grant less $4,850,000 for the Authority's own obligations that include: relocation; community and supportive services; legal, financial and other technical advisors; and program management. HOPE VI funding has already been made available to MHDC for the revitalization from the $18,380,641 through a Predevelopment Loan Agreement ($3,052,046) approved by the Commission on December 14, 2000 and Preconstruction Services Agreement (PSA) ($3,365,844) approved by the Commission on August 15, 2003. The Predevelopment Loan Agreement will be incorporated into the HOPE VI Construction/Permanent Loan to be executed at closing. The balance of the HOPE VI funds for development will be provided at closing in September 2004 following Commission authorization. The total development budget with all projected sources and uses, $66,061,760, is included in the attached DDA as Exhibit B. The construction pricing is based of the 100 percent Design Development documents completed on September 17, 2003. It is eight percent greater than the previous budget incorporated into the PSA but includes a 14 percent increase in residential square footage. The square footage increase is a result of negotiations with the California Housing Finance Agency and HUD for modification of units to enlarge narrow units and replace narrow stacks with wider stacks. The amount of cabinet space, counter tops, medicine cabinets, vanities and closets was increased. The net fee to the Developer, $1,400,000 ($2,500,000 less $1,100,000 General Partner contribution to the development) has not changed.

WHO BENEFITS

The DDA represents the final stage of the predevelopment process of securing approvals and structuring financing in preparation for construction and consensus on a significant effort by the Authority, Valencia Gardens residents, the Valencia Gardens Resident Council, and MHDC on a revitalization plan for the Valencia Gardens public housing site.

The Valencia Gardens residents, the Authority, the Mission District neighborhood and the City all benefit from the successful and expeditious implementation of this plan for safe well-designed housing and amenities at this site.

RESIDENT HIRING

MHDC and the Authority have been working together to outreach, train and place residents in employment with priority for Valencia Gardens residents. The initial focus includes job positions with the development team and the demolition/ hazardous material abatement sub-contractor. To meet and exceed the Commission's 25% resident hiring requirements contained in Resolution 4967, the resident hiring will be directed by MHDC's Resident Hiring Coordinator under the Resident Hiring Plan (DDA EXHIBIT H) and will be monitored by the Authority's Contracting Officer using Appendix to 24 CFR Part 135, Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents.

MHDC's general contractors have estimated they will employ up to 8 residents fulltime during the environmental remediation process, up to 5 residents fulltime during the demolition process, and approximately 30 fulltime residents for construction. MHDC has estimated 2 additional residents will be employed fulltime by the consultant and development team.

MBE/WBE PARTICIPATION

MHDC is a non-profit community-based organization. Its architectural/engineering team is about 30% MBE/WBE including one of the architects, the landscape architect, the electrical engineer, the mechanical engineer, and the hazmat consultant. The general contractor, Nibbi Brothers Construction, is identifying local MBE and WBE contractors who will serve in the role of "first tier subcontractors" to provide major portions of the overall construction work necessary to complete the abatement and demolition work under the PSA and then construction of the new housing.

RECOMMENDATION

Staff recommends adoption of this Resolution.

(Materials prepared by Barbara T. Smith, Housing Development and Modernization Department)

RESOLUTION NO. 5129

DATE ADOPTED: 11/13/03

RESOLUTION MAKING FINDINGS IN CONNECTION WITH ENVIRONMENTAL REVIEW; AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A DISPOSITION AND DEVELOPMENT AGREEMENT WITH MISSION HOUSING DEVELOPMENT CORPORATION (MHDC); AND AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE EVIDENTIARIES FOR THE HOPE VI REVITALIZATION OF THE VALENCIA GARDENS PUBLIC HOUSING SITE

WHEREAS, the Board of Commissioners of the Housing Authority of the City and County of San Francisco (the "Authority") adopted Determination and Order #133 on July 12, 1997, authorizing the Executive Director to negotiate with Mission Housing Development Corporation (MHDC), a non-profit affordable housing development, for the purpose of revitalizing the Valencia Gardens Development; and

WHEREAS, the Authority and the United States Department of Housing and Urban Development ("HUD") have executed a HOPE VI Grant Agreement (the "Grant Agreement") for $23,230,641 of HOPE VI funds to financed the revitalization of the Valencia Gardens public housing development (the "Project"), which will consist of the demolition of the existing two hundred forty six (246) apartment units on the property (the "Existing Units"), and the new construction of two hundred and sixty (260) apartment units and up to eleven thousand (11,000) square feet of community facilities, childcare center, community learning center and property management offices (the "Project"); and

WHEREAS, the Board of Commissioners of the Authority adopted Resolution #4940 on October 26, 2000, authorizing the Executive Director to execute a Memorandum of Understanding and Predevelopment Loan Agreement with MHDC, as amended by Resolution #5088 on March 13, 2003, as evidenced by that certain Amended and Restated Memorandum of Understanding (collectively, the "MOU") for the purpose of negotiating the terms and conditions of the DDA (as defined below), for the revitalization of the Valencia Gardens public housing site under the HOPE VI program;

WHEREAS, the Project is expected to be financed with HOPE VI funds, low income housing tax equity, funds from the San Francisco Redevelopment Agency (the "Agency"), funds from the State Department of Housing and Community Development; tax exempt bonds and financing through the California Housing Finance Agency and private financing, and to be owned by a limited partnership with two co-general partners, a MHDC's affiliate, as the managing general partner and an Authority's affiliate as the other general partner; and

WHEREAS, the Authority desires to enter into a Disposition and Development Agreement ("DDA") with MHDC for the revitalization of the Valencia Gardens public housing site, consistent with the terms of the MOU, in the form on file with the Authority; and

WHEREAS, the DDA requires that MHDC provide evidence of construction and permanent financing commitments in amounts sufficient to complete construction of the Project prior to the commencement of construction; and that the Authority will execute a long-term ground lease with a limited partnership, permitting the Authority to retain fee ownership

of the land and requiring development of the property with residential units reserved for public housing residents; and

WHEREAS, the Authority intends to regulate the use of the Project pursuant to regulatory and operating agreements which, among other things, will provide that the public housing-assisted units be operated in accordance with the requirements of the Grant Agreement for the Project and other applicable HUD requirements; and

WHEREAS, upon execution of the DDA the Authority shall begin to negotiate the terms of additional agreements and documents with respect to the Project, including, but not limited to: a new HUD declaration of trust, a ground lease, a regulatory and operating agreement, loan agreements, option agreements, an amendment to the Annual Contributions Contract, a management plan, and numerous documents related to the proposed syndication of low-income housing tax credits; and

WHEREAS, such additional documents will be submitted to the Board of Commissioners for approval prior to the mixed-finance closing preceding the commencement of construction; and

WHEREAS, all such documents will be subject to any required HUD approvals, as well as approval by Authority legal counsel; and

WHEREAS, pursuant to the National Environmental Policy Act ("NEPA") and its implementing regulations, the City executed a Memorandum of Agreement with respect to the Project, which requires certain mitigation measures to be implemented to mitigate significant impacts of the replacement of the Valencia Gardens public housing development more specifically discussed in the Environmental Assessment (the "EA") for the Project; the San Francisco Field Office of HUD certified the EA on September 19, 2003, and granted the Request for Release of Funds for the Project, and the Authority intends to use the EA in part, as the environmental documentation its consideration for the proposed DDA and the transactions contemplated therein; and

WHEREAS, pursuant to the California Environmental Quality Act ("CEQA") and its implementing regulations, the San Francisco City Planning Commission, as the "lead agency" under CEQA, certified a Final Environmental Impact Report on June 26, 2003 (the "EIR"), and the findings set forth San Francisco Planning Commission Motion No, 16604, Case No. 2002.0809 adopted on July 21, 2203 (the "Findings") for use in consideration of the planning approvals related to the Project, following conduct of a duly noticed public hearing, which included the implementation of certain CEQA mitigation measures in connection with architectural resources, noise, air quality, geology, water quality, hazards, and archaeological resources; and

WHEREAS, the Authority has served as, and has complied with the requirements of, a "responsible agency" under the CEQA in connection with the processing and consideration of the EIR; and

WHEREAS, the EIR, a copy of which is on file with the Authority Secretary, has served as the CEQA document for consideration and approval by the Authority of the DDA, and the development of the Project, and the related findings and determinations of the Planning Commission of the City and County of San Francisco adopted as the Authority's own by

Resolution #5106 on August 14, 2003 and set forth in this Resolution (the "DDA Actions"); and

WHEREAS, the EIR called for the imposition of certain CEQA mitigation measures in connection with the planning approvals and the DDA Actions, and such mitigation measures have been incorporated into the DDA.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Authority hereby finds that the EIR and the EA are adequate environmental documents for consideration of approval of the DDA Actions, and that the Authority has considered the environmental effects of the DDA Actions as provided in the EIR and the EA, prior to making its decision regarding the DDA Actions.

2. In compliance with the requirements of Section 15096 of the State CEQA Guidelines, the Authority hereby confirms, ratifies, and adopts as its own findings Paragraphs 10 to 14 of the Findings, and the Conditions of Approval as set forth in the Planning Commission Motion which include the mitigation measures and monitoring program (the "Mitigation Program"), which are incorporated and made a part of the DDA, and that such Mitigation Program meets the requirements of the EA.

3. The Executive Director is hereby authorized and directed to file a Notice of Determination in accordance with 14 Cal. Code of Regulations, Section 15075.

4. The Authority hereby approves the DDA and the attached exhibits, and approves execution by the Chair or Executive Director of the DDA and all ancillary documents in substantially the form on file with the Authority, with such changes as are approved by the Authority signatory (such approval to be conclusive evidenced by the execution of the DDA).

5. The Executive Director is hereby authorized to negotiate the terms of additional Agreements and documents with respect to the Project, including, but not limited to: a new HUD declaration of trust, a ground lease, a regulatory and operating agreement, loan agreements, option agreements, an amendment to the Annual Contributions Contract, a management plan, and documents related to the proposed syndication of low-income housing tax credits.

6. This Resolution shall take effect immediately.

APPROVED AS TO FORM AND LEGALITY:

Donna Martin

DONNA MARTIN, General Counsel

Date 11-07-03

REVIEWED BY:

GREGG FORTNER, Executive Director

Date 11/7/03

SAN FRANCISCO HOUSING AUTHORITY
440 TURK STREET • SAN FRANCISCO • CALIFORNIA • 94102 • (415) 554-1200

CERTIFICATE

I, Julie Lee, duly elected President of the Board of Commissioners of the Housing Authority of the City and County of San Francisco, do hereby certify that the following was adopted at the Regular Meeting of the Commission held on November 13, 2003:

RESOLUTION NO. 5129

RESOLUTION MAKING FINDINGS IN CONNECTION WITH ENVIRONMENTAL REVIEW; AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A DISPOSITION AND DEVELOPMENT AGREEMENT WITH MISSION HOUSING DEVELOPMENT CORPORATION (MHDC); AND AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE EVIDENTIARIES FOR THE HOPE VI REVITALIZATION OF THE VALENCIA GARDENS PUBLIC HOUSING SITE

Attached is a true and correct copy of the Resolution as adopted at the said meeting, on file and on record as adopted by the following vote of the Members:

FOR ADOPTION:
Julie Lee
Sululagi Palega, Sr.
Betty J. Smith
Neola Gans
Andrew J. Clark
George Woodruff

AGAINST ADOPTION:

ABSENT (EXCUSED):
George R. Brown

IN TESTIMONY, WHEREOF, I have hereto set my hand and seal of said Authority this date: December 11, 2003.

Julie Lee, President
SFHA Commission

B

SAN FRANCISCO HOUSING AUTHORITY

440 Turk Street ° San Francisco, CA 94102 ° Phone (415) 554-1200 ° Fax 554-1268

DATE November 13, 2003

TO: San Francisco Housing Authority Commission
Julie Lee, President
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

FROM: Gregg Fortner, Executive Director

SUBJECT: RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2003

OVERVIEW

It is requested that the San Francisco Housing Authority (SFHA) Board of Commissioners approve the resolution to execute Form HUD-50072, the Public Housing Assessment System (PHAS) annual certification.

As you can see from the attached PHAS score, the SFHA has maintained a rating of "B" overall and a rating of "A" in all categories, except Unit Turnaround Time. The low score in the Unit Turnaround category is the result of returning long standing vacant units back online and leasing them. While returning these units to "ready" status is detrimental to the overall PHAS score at this time, it is critical in providing as many units as possible to help address the growing need for affordable housing in San Francisco, and reducing the Authority's long wait list.

TIMEFRAME

All public housing agencies with a fiscal year end of September 30 are required to submit the annual PHAS Management Operations Certification no later than November 30. In order for the submission to be considered complete, the Commission must approve the score by resolution.

OBJECTIVE

The objective of this resolution is to comply with the HUD regulation regarding the annual Management Operations assessment. Failure to do so could affect the timely payments of the operating subsidy and grant disbursements by HUD.

PRESENT SITUATION

For fiscal year 2003, the SFHA will submit a score of 87% for PHAS Indicator #3, Management Operations. This is consistent with the score received for the prior fiscal year. In other words, the management operations level has not declined and is still within the rating of Standard Performer.

ANTICIPATED OUTCOME

The anticipated outcome is that the SFHA will comply with the regulation and that the operating subsidies and grant disbursement will be released on time.

WHO BENEFITS

This resolution benefits the Authority by ensuring compliance with the HUD guidelines regarding submission of the annual Public Housing Assessment System report.

BUDGET CONSIDERATION

Failure to pass this resolution and approve the PHAS Management Operation Certification could result in the delay of operating subsidies and grant payments to the SFHA.

IMPLEMENTATION

The Commission must approve the Certification, form HUD-50072, to comply with the federal regulations regarding the Public Housing Assessment System.

RECOMMENDATION

It is recommended that the Resolution authorizing the Executive Director to execute and transmit Form HUD-50072, the PHAS certification for fiscal year 2003, be approved.

San Francisco Housing Authority
FYE 2003 PHAS Score Card
Management Operations, Indicator No. 3

Evaluation Criteria (PHAS Indicator, if applicable)	Values	10-1-02 to 9-30-03 Letter Grade	Numerical Grade	PHAS Points
UNIT TURNAROUND TIME (Indicator 3:1), 4 Points				
a. Downtime	3			
b. Adjusted Make-Ready Time	85			
c. Lease-up Time	117			
AVERAGE UNIT TURNAROUND TIME	205	F	0	0
CAPITAL FUND (Indicator 3:2), 7 Points				
a. Unexpended funds	0	A		1
b. Timeliness of Obligation	0	A		2
c. Contract Administration	0	A		1
d. Quality of Physical Work	0	A		2
e. Budget Controls	0	A		1
WORK ORDERS (Indicator 3:3), 4 Points				
a. Emergency Work Orders (completed <= 24 hours)	2213-5=2208	A	99.8%	2
b. Non-Emergency Work Order (average no of days)	739670/49300	A	15 Days	2
ANNUAL INSPECTION OF UNITS & SYSTEMS (3:4), 4 Points				
a. Inspection of Units	100%	A	100%	2
b. Inspection of Systems	100%	A	100%	2
SECURITY (Indicator 3:5), 4 Points				
a. Tracking/Reporting Crime	100%	A		1
b. Screening Applicants	2?	A		1
c. Lease Enforcement	12?	A		1
d. Grant Program Goals	NA	A		1
ECONOMIC SELF-SUFFICIENCY (Indicator 3:6), 7 Points				
Grant Program Goals	40	A		7
INDICATOR No. 3 Total				
TOTAL POINTS FOR INDICATOR No. 3 (Max 30 points possible)		B	87%	26

RESOLUTION NO: 5130
DATE ADOPTED: 11/13/03

RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2003

WHEREAS, the San Francisco Housing Authority is designated by the U.S. Department of Housing and Urban Development as a "Standard Performer" agency; and

WHEREAS, the San Francisco Housing Authority performed an internal performance assessment in accordance with the PHAS rules, which reveals that the SFHA's management performance for fiscal year 2003 has been at a level qualifying as a "Passing" agency; and

WHEREAS, the San Francisco Housing Authority is required to provide certification as to data on PHAS indicator #3, Management Operations, that include the following components: 1) Unit Turnaround Time, 2) Capital Funds, 3) Work Orders, 4) Annual Inspections of Units and Subsystems, 5) Security, and 6) Economic Self-Sufficiency.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The San Francisco Housing Authority approves the certification under the Public Housing Assessment System for performance indicator #3, Management Operations, that include the following components: 1) Unit Turnaround Time, 2) Capital Funds, 3) Work Orders, 4) Annual Inspections of Units and Subsystems, 5) Security, and 6) Economic Self-Sufficiency.
2. The Executive Director is authorized to execute the Public Housing Assessment System Program Certification, Form HUD-50072.
3. This resolution shall take effect immediately.

APPROVED AS TO FORM AND LEGALITY:

Donna Martin

Donna Martin, General Counsel

11-07-03

Date

REVIEWED BY:

Gregg Fortner, Executive Director

11/7/03

Date

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO • CALIFORNIA • 94102 • (415) 554-1200

CERTIFICATE

I, Julie Lee, duly elected President of the Board of Commissioners of the Housing Authority of the City and County of San Francisco, do hereby certify that the following was adopted at the Regular Meeting of the Commission held on November 13, 2003:

RESOLUTION NO. 5130

RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2003

Attached is a true and correct copy of the Resolution as adopted at the said meeting, on file and on record as adopted by the following vote of the Members:

FOR ADOPTION:
Julie Lee
Sululagi Palega, Sr.
Betty J. Smith
Neola Gans
Andrew J. Clark
George Woodruff

AGAINST ADOPTION:

ABSENT (EXCUSED):
George R. Brown

IN TESTIMONY, WHEREOF, I have hereto set my hand and seal of said Authority this date: December 11, 2003.

Julie Lee, President
SFHA Commission

C

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CALIFORNIA 94102 • (415) 554-1200

DATE: November 13, 2003

TO: SAN FRANCISCO HOUSING COMMISSIONERS

Julie Lee, Sr., President
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

FROM: GREGG FORTNER, Secretary/Executive Director

SUBJECT: RESOLUTION AUTHORIZING THE ACTING EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

OVERVIEW

On September 10, 1998, the Department of Housing and Urban Development (HUD) published in the Federal Register the final rule establishing the Section 8 Management Assessment Program (SEMAP). On August 17, 2000 HUD issued PIH 2000-34 requiring the submission of SEMAP certification electronically.

SEMAP consists of 15 indicators with points assigned to each indicator for a total maximum 150 points. The indicators and their respective maximum points are as follows:

1. Selection from the Waiting List – 15 points
2. Reasonable Rent – 20 points
3. Determination of Adjusted Income – 20 points
4. Utility Allowance Schedule – 5 points
5. HQS Quality Control Inspections – 5 points

6. HQS Enforcement – 10 points
7. Expanding Housing Opportunities – 5 points
8. FMR Limit and Payment Standards – 5 points
9. Annual Reexaminations – 10 points
10. Correct Tenant Rent Calculations – 5 points
11. Precontract HQS Inspections – 5 points
12. Annual HQS Inspections - 10 points
13. Lease-up – 20 points
14. Family Self Sufficiency Enrollment – 10 point

In addition, a bonus indicator, Deconcentration Bonus has a maximum of 5 points.

HUD has determined that Housing Authorities that score over 90% are High Performers, 60-89% are Standard Performers, or less than 60% are Troubled.

OBJECTIVE

The objective of this resolution is to authorize the Acting Executive Director and the President of the Commission to sign the SEMAP Certification on behalf of the Housing Authority prior to the electronic submission to HUD.

PRESENT SITUATION

The San Francisco Housing Authority has completed the appropriate test of the Section 8 records and determined that the SFHA scoring for the fiscal year ended September 30, 2003 is 91% which ranks the Housing Authority as a High Performer.

ANITIPATED OUTCOME

The Leased Housing Department will be classified as a High Performer by the HUD.

WHO BENEFITS

The San Francisco Housing Authority benefits by meeting the scheduled deadline for reporting to HUD.

BUDGET CONSIDERATIONS

There is no budgetary impact to the Leased Housing Department.

POLICY IMPLEMENTATION

The signed SEMAP Certification will be on file to support the electronic submission to HUD.

RECOMMENDATION

We recommend that the Board approve the resolution authorizing the Executive Director and the President of the Commission to sign the Section 8 Management Assessment Program (SEMAP) Certification on behalf of the San Francisco Housing Authority.

Prepared by Lawrence Andrews, 715-3281

San Francisco Housing Authority
Leased Housing Division
Performance Targets SEMAP Indicators at 9-30-03

Indicator	*Maximum*	*9/30/03*
1 Selection from the Waiting List Written admission policies in the administrative plan and these policies followed when selecting applicants for admission from the waiting list.	15	15
2 Reasonable Rent Written methodology to determine rent is reasonable based on current rent for comparable unassisted units and documented at time of initial leasing.	20	20
3 Determination of Adjusted Income At admission and reexamination, HA verifies and correctly determines adjusted gross income, including appropriate utility allowances in determining gross rent	20	20
4 Utilitiy Allowance Schedule Utility rate data reviewed within the last 12 months and adjusted if there was a change of 10% or more	5	5
5 HQS Quality Control Inspections Random sample reinspection done for at least 5% of completed HQS inspections reprenting a cross section of neighborhoods and inspectors	5	5
6 HQS Enforcement Unit passes HQS or life threatening cited deficiencies are corrected within 24 hrs and all other HQS deficiencies are corrected within 30 days	10	10
7 Expanding Housing Opportunites Adopted and implemented a written policy to encourage participation by owners of units ourside areas of poverty or minority concentration and infoms certificate & voucher holders of a full range of areas where they may lease, both inside and outside HA jusidiction and supplies a list of those willing to lease units or find units	5	5
8 Fair Market Rent Limit and Payment Standard For the the new voucher program, the rents by unit size do not exceed the revised FMR/Payment Standard which was established in December 1999	5	5
9 Annual Reexaminations Reexamination for each family at least once every 12 months	10	5
10 Correct Tenant Rent Calculations Correct calculaiton of 98% of tenant rent for certificate/family share of rent to owner in voucher program	5	5
11 Pre-contract HQS inspections Each newly unit leased passed HQS inspection before beginning date of lease	5	5
12 Annual HQS Inspections Each unit under contract is inspected at least annually and 98% are on time or less than 2 months late	10	10
13 Lease-up Successful contracts for 98 % of units under budget for at least one year	20	20
14 Family Self-sufficiency Enrollment and Escrow Accounts Families enrolled to fill 80% of FSS slots in FSS program	10	3
Total Points Before Bonus	145	133
Percentage		**91%**
15 Deconcentration Bonus 50% or more families with children live in low poverty areas	5	0

Note: High Performer=at least 90% or 131 points, Standard Performer=60-89% or 87-130 points, Troubled=below 60%

RESOLUTION No. 5131
DATE ADOPTED: 11/13/03

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) on September 10, 1998 issued a notice in the Federal Register establishing the Section 8 Management Assessment Program (SEMAP), as set forth in 24 CFR 985, to objectively measure public housing agency performance in key Section 8 tenant-based assistance program areas; and

WHEREAS, HUD on August 17, 2000 issued notice PIH 2000-34 requiring submission of SEMAP certification electronically; and

WHEREAS, the San Francisco Housing Authority (SFHA) has completed the reviews to determine the SFHA scoring for the 15 indicators of SEMAP reporting for the fiscal year ended September 30, 2003; and

WHEREAS, the SFHA has determined that the scoring for the fiscal year ended September 30, 2003 is 133 points or a 91% scoring establishing the SFHA as a High Performer; and

WHEREAS, HUD requires that the Section 8 Management Assessment Program (SEMAP) Certification be signed by the Executive Director and the President of the Board of Commissioners prior to the electronic submission to HUD; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Executive Director and the President of the Board of Commissioners is hereby authorized to sign the Section 8 Management Assessment Program (SEMAP) Certification to HUD in accordance with 24 CFR 985.

2. This resolution becomes effective immediately.

APPROVED AS TO FORM AND LEGALITY:

Donna Martin
Managing Attorney

11-7-03
Date

REVIEWED BY

Gregg Fortner
Executive Director

11/7/03
Date

SAN FRANCISCO HOUSING AUTHORITY
440 TURK STREET • SAN FRANCISCO • CALIFORNIA • 94102 • (415) 554-1200

CERTIFICATE

I, Julie Lee, duly elected President of the Board of Commissioners of the Housing Authority of the City and County of San Francisco, do hereby certify that the following was adopted at the Regular Meeting of the Commission held on November 13, 2003:

RESOLUTION NO. 5131

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

Attached is a true and correct copy of the Resolution as adopted at the said meeting, on file and on record as adopted by the following vote of the Members:

FOR ADOPTION:
Julie Lee
Sululagi Palega, Sr.
Betty J. Smith
Neola Gans
Andrew J. Clark
George Woodruff

AGAINST ADOPTION:

ABSENT (EXCUSED):
George R. Brown

IN TESTIMONY, WHEREOF, I have hereto set my hand and seal of said Authority this date: December 11, 2003.

Julie Lee, President
SFHA Commission

SEMAP INDICATOR 1

Selection from the Waiting List
9-30-03

The indicator measures whether the Housing Authority has written policies in its administrative plan for selecting applicants from the waiting list and follows these policies when selecting applicants for admission.

This indicator scores 15 points for compliance, or scores 0 for non-compliance.

The key elements to test for this indicator are:

- Are there written policies in the administrative plan for selecting applicants from the waiting list
- Based on random selected samples, 98% selected from the waiting list are selected in accordance with policies, including the applicants met selection criteria that determined their place on the waiting list and their order of selection

The SFHA has an Administrative Plan that is current and has been approved by the SFHA commission. Included in this Administrative Plan are the criteria for applicant selection. The test to validate the SFHA adherence to the plan is included in the random sample of client files test. There were no exceptions noted in the test, which included new clients for the programs off the new waiting list..

The SFHA scores 15 points for this indicator.

SEMAP INDICATOR 2

Reasonable Rent
9-30-03

The Housing Authority must document for units leased that the rent to the owner is reasonable based on current rents for comparable unassisted units

This indicator scores 20 points for 98% compliance, 15 points for 80-96% compliance, or 0 points for less than 80% compliance.

The key elements to test for this indicator are:

- Review of the reasonable and written method to determine and document comparable to unassisted units at the time of leasing, if there is any increase in rent to the owner, at the HAP contract anniversary if there is a 5% decrease in the published FMR.
- The comparable calculation must consider location, size, type, quality, age, amenities, housing services, maintenance, and utilities.
- The SFHA has a reasonable written method to determine reasonable rent which considers these factors.
- Based on random selected samples, 98% selected met determination at the time of initial leasing.

The SFHA has adopted a procedure where comparable rents are obtained using a local company, Metro Rents, which maintains a web site of units around the city. The documentation is printed and included in the tenant file to support the reasonable rent determination. The test to validate the SFHA adherence to the plan is included in the random sample of client files test and resulted in no deficiencies.

The SFHA scores 20 points for this indicator

SEMAP INDICATOR 3

Determination of Adjusted Income
9-30-03

The indicator measures whether at the time of admission or annual reexamination, the Housing Authority verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for the utilities under the lease, the Housing Authority uses the appropriate utility allowance for the unit leased in determining the gross rent.

This indicator scores 20 points for 90% compliance, 15 points for 80-89% compliance, or 0 points for less than 80% compliance.

The key elements to test for this indicator are:

- Does the HA obtain 3rd party verifications of adjusted income, assets totaling $5000 or more, expenses related to deductions from annual income, and other factors that affect adjusted income.
- Where family is responsible for utilities, are the appropriate allowances used.
- Are allowances used in the calculations of rent for medical, child care, and disability assistance expenses.

The SFHA has procedure in place to include all the appropriate deductions from the rent calculation. The rent calculation is tested during the quality control by the Supervisor. The test to validate the SFHA adherence to the plan is included in the random sample of client files test and did not disclose any discrepancies.

The SFHA scores 20 points for this indicator.

SEMAP INDICATOR 4

Utility Allowance Schedule
9-30-03

The Housing Authority is to maintain an up-to-date utility allowance schedule.

This indicator scores 5 points for compliance, 0 points for non-compliance.

The key elements to test for this indicator are:

- Is an up-to-date utility allowance schedule maintained
- Was the utility allowance schedule reviewed within the past 12 months and revised if a utility rate has a change of 10% or more

The SFHA utility allowance schedule was reviewed during 2002 and a the variance was not 10% so the schedule was not updated.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 5

HQS Quality Control Inspections
9-30-03

A Housing Authority Supervisor must re-inspect a sample of units during the HA fiscal year of at least 5% of the number of units under HAP during the last compete fiscal year for quality control of HQS inspections. The sample is to be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

This indicator scores 5 points for compliance or 0 points for non-compliance.

The key elements to test for this indicator are:

- The Ha must meet the compliance test for quality control reinspections.
- The quality control reinspection must be for units inspected in the prior 3 months at the time of reinspection.

The SFHA has a procedure where at least 5% of the units are randomly selected and reinspected on an ongoing basis.

The reinspections include those where the original inspection was in the month of September, 2003 with the reinspection completed during October, 2003. The re-inspections are completed by a senior inspector. The re-inspections resulted in a 91% agreement with the original inspection.

The SFHA scores 5 points for this indicator

SEMAP INDICATOR 6

HQS Enforcement
9-30-03

This indicator shows whether, following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or any Housing Authority approved extension.

This indicator scores 10 points where all life threatening fails are corrected within 24 hours and 98% of other fails corrected within 30 days or an approved HA extension or 0 points where the correction time is longer.

The key elements to test for this indicator are:

- Did the HA take action where the fails were not corrected within the allowable time by abating the HAP for owner fails that went uncorrected or enforced the family obligations for family fails.
- Were the actions taken for fails in the first month following the correction period.

The SFHA continues to follow up on fails and takes the appropriate action in situations where correction extends beyond the prescribed time or the approved extension. Tests of files supports the follow up and other appropriate action.

The SFHA scores 10 points for this indicator.

SEMAP INDICATOR 7

Expanding Housing Opportunities
9-30-03

This indicator shows whether the Housing Authority has adopted and implemented a written policy to encourage participation of owners of units and has procedures to assist program participants in locating housing.

This indicator scores 5 points for implementation of the required procedures or 0 points where not all the procedures are implemented.

The key elements to test for this indicator are:

- The HA has a written policy in the administrative plan which includes the actions the HA will take to encourage participation by owners of units located outside areas of poverty or minority concentration
- The HA written policy clearly delineates areas in its jurisdiction that the HA considers areas of poverty or minority concentration.
- Documentation shows that the HA has taken action indicated in its policy to encourage owners of units located outside the areas of poverty or minority concentration.
- The HA has prepared maps that show various areas with housing opportunities outside areas of poverty or minority concentration and this information is used during the briefings for those entering the program.
- The HA's information packet for rental voucher and certificate holders contains either a list of owners who are willing to least under the program or a list of organizations that will help families find units.
- The HA's information packet explains how portability works including information about neighboring housing authorities.
- Where there has been difficulty finding housing outside the areas of poverty and minority concentration, has the HA analyzed whether it is appropriate to seek approval from HUD for exception rents.

The SFHA continues the landlord advisory committee specifically to encourage landlords throughout the city to participate in the programs. In addition, the SFHA has developed a seminar for landlords to explain the program and to encourage participation. Further, the SFHA management staff continues to work with the SF Board of Supervisors supporting legislation designed to assist low income tenants. The SFHA has extended the office hours once a week until 8 P.M. to accommodate the clients that are unable to schedule appointments during the regular workday. The recent increase in the FMR's has broadened the areas where prospective tenants are able to search for housing.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 8

FMR Limit and Payment Standard
9-30-03

This indicator tests whether at least 98% of the units newly leased under regular tenancy have initial gross rents at or below the applicable FMR or approved exception rent limits, and for vouchers, that the payment standard is within 80-100% of the FMR/exception rent limit.

This indicator scores 5 points for compliance or 0 points where there is not compliance.

The key elements to test for this indicator are:

- The HA SEMAP certification form and MTCS reports show newly leased compared to the FMR.
- Excluding OFTO, at least 98% of the units newly leased under the certificate program have gross rents at or below the applicable FMR or exception rent.
- The HA's current rental voucher program payment standards do not exceed the FMR or exception rent and not less than 80% of the payment standard.

The SFHA statistical report show that the rents are within the criteria established by the indicator.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 9

Annual Reexaminations
9-30-03

This indicator tests whether the Housing Authority has completed reexaminations of each participating family at least every 12 months, and that re-exams are not more than two months over due.

This indicator scores 10 points where less than 5% are late, 5 points where 5-10% are late, or 0 points where more than 10% are late.

The key elements to test for this indicator are:

- The HA files for the tenant must support the annual reexamination and the MTCS must be updated by updating the 50058.

Audit tests and the supervisory quality control tests support that the SFHA is re-examining at least 90% of tenants annually and that these re-examinations are not more than two months late. During the past year, since the staff time has been divided between new tenants in the eligibility process and the re-examination process, the backlog of re-examinations has grown to where it is approaching 10%. While this is a temporary condition, it has occurred at the end of the fiscal year and SEMAP reporting time.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 10

Correct Tenant Rent Calculations
9-30-03

This indicator tests whether the Housing Authority correctly calculates tenant rent for certificate participants and the family's share of rent to the owner for voucher participants..

This indicator scores 5 points where less than 2% of the tenants have rent discrepancies or 0 points where there are more than 2% discrepancies.

The key elements to test for this indicator are:

- The HA files for the tenant must be submitted to the MTCS.
- The MTCS statistics must not reflect more than 2% errors.

Audit tests and the supervisory quality control tests support that the SFHA error rate for tenant rent is less than 2%. The test work is included in the random sample of client files test to validate that the SFHA is meeting the criteria for this indicator. In fact, the test did not disclose any errors in rent calculation.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 11

Pre-contract HQS Inspections
9-30-03

This indicator tests whether the Housing Authority is not allowing units to be on the program until they have passed HQS inspections.

This indicator scores 5 points where at least 98% of new units have passed HQS prior to the lease effective date or 0 points where less than 98% have passed prior to the lease effective date.

The key elements to test for this indicator are:

- The HA must inspect and the units must pass HQS prior to the lease date.

Audit tests and the supervisory quality control tests support that the SFHA does not put units on lease until HQS inspections have been made and the units have passed. The test work is included in the random sample of client files test to validate that the SFHA is meeting the criteria for this indicator. Review of PIC data, however, has just disclosed some errors in reporting that need to be corrected in the system. The errors in the system do not negatively impact the scoring since the tenant files document that office procedure is correct.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 12

Annual HQS Inspections
9-30-03

This indicator tests whether the Housing Authority is inspecting every unit under contract at least every 12 months.

This indicator scores10 points where less than 5% of the inspections are late, 5 points where 5-10% are late, or 0 points where more than 10% are late.

The key elements to test for this indicator are:

- The HA must inspect every unit each 12 months.

Audit tests and the supervisory quality control tests support that the SFHA meets the less than 5% test. New controls and new reports have been developed that provide critical information to assure that all inspections and reinspections are completed timely. The test work is included in the random sample of client files test to validate that the SFHA is meeting the criteria for this indicator.

The SFHA would score 10 points for this indicator, however, HUD has not concluded whether their system is correctly accumulating the statistics for this SEMAP indicator.

SEMAP INDICATOR 13

Lease Up
9-30-03

This indicator tests the level of lease up for the Housing Authority during the past 12 months.

This indicator scores 20 points where the Housing Authority has 98% of the budgeted units leased, 15 points where 95-97% are leased, or 0 points where less than 95% are leased.

The key elements to test for this indicator are:

- The HA unit months divided by 12 is the average number that must be leased during the past 12 months.

The statistics for the SFHA show that the current lease up is approaching 100%. During this fiscal year, a concentrated effort was made to move the lease up rate to 100%. This was accomplished, and even though the lease up was not achieved each of the months, the SFHA will include this SEMAP indicator as fully leased up since the issues that kept the lease up less than 100% are explained here. The Lease Up was formerly and materially impacted by a freeze HUD placed on the SFHA's authorization to use the waiting list during a period of 6 months. When this freeze was lifted, the SFHA immediately started processing applicants. However, the time necessary for the SFHA to recover from the lease up freeze was not accomplished until June 2003. The San Francisco Housing Authority requests that this SEMAP criteria be provided full score based on any deficiency has been beyond the control of the SFHA and the result of the freeze placed on new admissions by HUD.

The SFHA scores 20 points for this indicator.

SEMAP INDICATOR 14

Family Self Sufficiency and Escrow Accounts
9-30-03

This indicator shows whether the Housing Authority has enrolled participants as required and the success of the program.

This indicator scores 10 points where the Housing Authority has 80% or more of the FSS slots filled, 3 points where 60-79% are filled, or 0 points where less than 60% are filled.

The key elements to test for this indicator are:

- The HA must have the percentage of slots filled in the FSS program.

The statistics for the SFHA show that 75% of the slots have been filled. In fact, the slots are 332 with 23 graduates, which brings the slot requirement down to 309. Currently there are 233 slots filled so the SF exceeds the minimum requirement. The percentage is 75% filled. Further, 116 of these participants have escrow accounts.

The PIC system at HUD has not accepted the data input for many of the tenants participating in the FSS program. This problem is not unique to the SFHA and scoring is requested for this indicator.

The SFHA scores 3 points for this indicator.

SEMAP BONUS INDICATOR

Deconcentration Bonus
9-30-03

This indicator shows whether the Housing Authority tenants with children have moved from areas of poverty to areas of low poverty has enrolled participants as required and the success of the program.

This indicator scores 5 points where the Housing Authority has met the criteria for deconcentration or 0 points where the criteria has not been met.

The key elements to test for this indicator are:

- The Housing Authority must certify appropriate data to support the accomplishments in deconcentration.

The statistics for the SFHA do not support that more than 50% of the tenants with children have relocated to areas of low poverty. However, with the current FMR's that have been approved by HUD, the opportunities for new participants on the program to seek housing in areas outside of low poverty areas has been greatly enhanced.

The SFHA scores 0 points for this bonus indicator.

D

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CALIFORNIA 94102 • (415) 554-1200

November 13, 2003

TO: SAN FRANCISCO HOUSING AUTHORITY COMMISSIONERS

Julie Lee, President
George R. Brown, Vice-President
Sululagi Palega, Sr., Commissioner
Betty Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

FROM: Gregg Fortner, SECRETARY/EXECUTIVE DIRECTOR

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE ORDER TO PAY THE HOUSING AUTHORITY RISK RETENTION GROUP FOR GENERAL LIABILITY DEDUCTIBLES FOR THE 2003-2004 POLICY YEAR IN AN AMOUNT NOT TO EXCEED $150,000.00

OVERVIEW:

This resolution authorizes the Executive Director to execute a purchase order in an amount not to exceed $150,000.00 in order to pay the deductible amount for each claim submitted to the Housing Authority Risk Retention Group ("HARRG") during the 2003-2004 policy period.

The Authority, by Resolution No. 5127, dated October 23, 2003, accepted general liability insurance coverage through HARRG. Under the terms and conditions of the policy, each claim submitted for handling has a retention amount, or deductible of at least $25,000.00, which the Authority is obligated to pay.

PRESENT SITUATION:

Currently, the Authority has $150,000.00 budgeted for this expense. The funds will be paid out of the 2003-2004 Low-Income Operating budget as well as the Section 8 Budget. Last policy year, the Authority paid out approximately $184,835.09 in deductibles. However, due to a more efficient claims handling process, regularly scheduled property management trainings, and a

thorough preventative maintenance plan, it is anticipated that the Authority may experience a reduction in claims. Thusly, the Authority expects a significant decrease in deductible payments. Additionally, as with every year past, the deductible amounts are billed monthly by HARRG.

WHO BENEFITS:

The Authority pays the lesser of the amount of the claim or the deductible. Therefore, the Authority benefits because it does not have to pay a lump sum for any claim whose deductible amount exceeds $25,000.00. The Authority also benefits because deductible payments are issued on a monthly billing basis thereby preventing processing delays.

RECOMMENDATION:

It is recommended that this resolution be approved giving authorization to the Executive Director to execute a purchase order made payable to the Housing Authority Risk Retention Group in an amount not to exceed $150,000.00.

RESOLUTION NO.: 5132
DATE ADOPTED: 11/13/03

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE ORDER TO PAY THE HOUSING AUTHORITY RISK RETENTION GROUP FOR GENERAL LIABILITY DEDUCTIBLES FOR THE 2003-2004 POLICY YEAR IN AN AMOUNT NOT TO EXCEED $150,000.00

WHEREAS, the Housing Authority of the City and County of San Francisco ("the Authority") by Resolution No. 3006, dated May 28, 1987, accepted membership into the Housing Authority Risk Retention Group ("HARRG") for the provisions of general liability insurance; and

WHEREAS, Resolution 5127, dated October 23, 2003, approved renewal of its general liability coverage with HARRG for the 2003-2004 policy period; and

WHEREAS, the Authority's policy with HARRG requires the agency to pay a deductible not to exceed $25,000.00 for each general liability claim that it submits for handling by HARRG during the 2003-2004 policy period; and

WHEREAS, funding for the payment is available from the Authority's Low-Income Operating Budget and the Section 8 budget for the fiscal year 2003-2004;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Executive Director is hereby authorized to execute a purchase order to pay the Housing Authority Risk Retention Group for the general liability deductibles for the 2003-2004 policy year in an amount not to exceed $150,000.00

2. This resolution shall take effect immediately.

APPROVED AS TO FORM AND LEGALITY:

Donna Martin
DONNA MARTIN
General Counsel

11-7-03
DATE

REVIEWED BY:

GREGG FORTNER
Executive Director

11/7/03
DATE

SAN FRANCISCO HOUSING AUTHORITY
440 TURK STREET • SAN FRANCISCO • CALIFORNIA • 94102 • (415) 554-1200

CERTIFICATE

I, Julie Lee, duly elected President of the Board of Commissioners of the Housing Authority of the City and County of San Francisco, do hereby certify that the following was adopted at the Regular Meeting of the Commission held on November 13, 2003:

RESOLUTION NO. 5132

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE ORDER TO PAY THE HOUSING AUTHORITY RISK RETENTION GROUP FOR GENERAL LIABILITY DEDUCTIBLES FOR THE 2003-2004 POLICY YEAR IN AN AMOUNT NOT TO EXCEED $150,000.00

Attached is a true and correct copy of the Resolution as adopted at the said meeting, on file and on record as adopted by the following vote of the Members:

FOR ADOPTION:
Julie Lee
Sululagi Palega, Sr.
Betty J. Smith
Neola Gans
Andrew J. Clark
George Woodruff

AGAINST ADOPTION:

ABSENT (EXCUSED):
George R. Brown

IN TESTIMONY, WHEREOF, I have hereto set my hand and seal of said Authority this date: December 11, 2003.

Julie Lee, President
SFHA Commission

HOUSING AUTHORITY
OF THE
CITY AND COUNTY OF SAN FRANCISCO

Minutes of Regular Meeting
Thursday, November 13, 2003

440 Turk Street
San Francisco, California

The Housing Authority of the City and County of San Francisco met in a regularly scheduled meeting at 440 Turk Street, San Francisco, California on Thursday, November 13, 2003, at 4:00 p.m.

President Julie Lee called the meeting to order at 4:02 p.m.

DOCUMENTS DEPT.

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1. ROLL CALL

Roll call found the following members to be:

PRESENT: *Julie Lee, President*
George R. Brown, Vice President (arrived at 4:05p.m – excused at 5:25p.m)
Sululagi Palega, Sr., Commissioner (arrived at 4:23p.m.)
Betty J. Smith, Commissioner
Andrew Clark, Commissioner (arrived at 4:07p.m.)
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

A quorum was present.

ALSO PRESENT: *Mr. Gregg Fortner, Executive Director*
Ms. Donna Martin, Agency Counsel

2. APPROVAL OF AGENDA

Mr. Fortner asked that Unfinished Business be addressed after the New Business and the October 23, 2003 Regular Commission Meeting Minutes be approved at the next meeting because they were not ready. Commissioner Smith moved to approve the agenda as amended. Commissioner Gans seconded the motion. The motion to approve the agenda as amended was unanimously passed.

3. APPROVAL OF MINUTES

Commissioner Woodruff moved to approve the minutes of the September 25, 2003 Annual Commission Meeting. Commissioner Gans seconded the motion. The motion to approve the minutes of the September 25, 2003 Annual Commission meeting was unanimously passed.

4. GENERAL COMMUNICATIONS
5. REPORT OF SECRETARY

Executive Director Gregg Fortner asked the Commission's permission to present the General Communications and Report of the Secretary simultaneously. The Commission did not object. First, within the folder was the updated Commission Request Log. Next, was the Lease-Up Report for Conventional Housing. Following, was a matrix of the SFHA insurance policies describing the coverage, deductibles, and renewal dates. Attached was a document explaining the limits of insurance for each SFHA property. Next, was a memorandum from the agency counsel to Mr. Fortner regarding the insurance coverage for public officials. Commissioner Clark requested the information. The language explaining the coverage derived from the liability policy. After those documents, was the third opinion written on resident Commissioners and their ability to simultaneously serve as a member of their local resident councils. Mr. Fortner stated that the Authority had verified with HUD, the Brown Act, the By-Laws of each affected development, and the By-Laws of the Commission that there are no problems with the current member composition of the Commission. Next in the Commission folder was an announcement of the Public Housing Tenant Association (PHTA) Election Schedule. Mr. Fortner gave accolades to LaVonne King for all of her efforts and dedication to work with the family sites and make the PHTA elections possible. The election is on December 30, 2003 and a representative is expected to regularly attend the Commission meetings shortly thereafter. Following, was the program announcement for the SFHA community event to honor Mayor Willie Brown. The last document was a color-coded map of San Francisco indicating the location of all SFHA properties.

As part of the Secretary's Report, Mr. Fortner invited Martin Dalton forward to present an update on the homeownership opportunities on the parking lot in the Alice Griffith development. Mr. Dalton reported that all of the Sequa Reviews had been pursued and granted. That afternoon, the Mayor's Office of Housing was also expected to sign the national approvals. HUD's approval was intentionally obtained before approaching staff with the terms and conditions of any agreement. An environmental analysis was performed and no further action was recommended. The preliminary report of the soil indicated that the proposed foundation system would meet the criteria. Mr. Fortner interjected that Mr. Dalton had performed the steps in the bureaucratic process necessary to get the project started, but in no way is the SFHA bound to completing it. That would only occur upon entering into a formal agreement. Mr. Dalton continued. He stated that staff and the community were consulted to determine a design that would best integrate with Alice Griffith. That process is almost complete. The next steps are to negotiate an agreement with staff, meet with the residents of Alice Griffith to perform credit repair and examine the plan to make it better. President Lee said that the Commission would like to look at the plan as well. Mr. Dalton then introduced Greg Upwall of McDonald Architects.

Mr. Upwall showed and explained to the Commission and public a display of the area intended for the new site. President Lee asked for the lot size. Mr. Upwall answered that it is two acres, about 89,000 square feet. Seventy-five units will occupy the land and each will average 1,000 square feet. Mr. Upwall stated that the Planning Commission had given its initial approval. The 75 units will be 2 or 3 bedroom townhouses, each with a private garage. SFHA staff concerns have been taken into account and the design was altered to take into account defensible space. Units that face Arelious Walker have been pulled back to give them a more front yard effect. Three-foot high walls would create semi-private front yards. The houses would share the driveway spaces and would be used as courtyards as well. There would also be a few small plaza areas for open space.

Mr. Dalton explained that Commissioner Lee was concerned about a fire lane in the development, but Mr. Dalton clearly indicated on the diagram where a fire truck would be able to pass. Mr. Dalton stated that after collaborating with the SFHA, the design would be taken to the city to ensure that it meets all necessary guidelines and regulations.

Commissioner Woodruff asked if it was two-way traffic. Mr. Dalton answered yes and explained the flow of traffic to the garages. In response to Commissioner Smith's question, Mr. Dalton stated that all of the units are separate and there is space between them. Mr. Fortner asked Mr. Dalton to place all of the diagrams in plain view for the public, in order to be in compliance with the Brown Act. President Lee asked that they plant enough trees and recommended that the security system be built in as the units go up. Mr. Dalton said that the security system being installed is sophisticated but inexpensive. He also assured President Lee that DSL compatible lines would be installed. Mr. Dalton then explained the map to Commissioner Brown.

President Lee advised Mr. Dalton to get the city mapping subdivision requirements met because it has to be submitted to the state, which is extensively backlogged. Mr. Dalton stated that a new law was passed and that is no longer required, but the process will take about a year.

Mr. Dalton showed Commissioner Smith where the entrance was on the map and to Vice President Brown, the proposed development's proximity to the current Alice Griffith site President Lee asked that each unit have its own view and not block each other. Mr. Dalton stated that stucco and siding would be used for the exterior and there would be flat roofs. Commissioner Lee made suggestions on the type of sewage system best for the area and also to create a space between the garages for guest parking.

Commissioner Palega asked how crime would be deterred within the proposed structure. Mr. Dalton explained that Barbara Smith's team had the same concerns and that was why the open areas were included in the design as well as each townhouse consisting of one family. There are no public corridors or stairways and most units have a balcony to promote surveillance of the property. Dr. Walker came forward to address the crime issue raised. He stated that there is an on going relationship with their neighbors at Alice

Griffith and described the community programs instituted in the area. Commissioner Palega stated that the SFHA and all those involved must prepare for the impact of people moving into the area who have never lived there before. Commissioner Palega questioned whether it is feasible to put new housing in an area with high crime rates. Mr. Fortner stated that the homeownership opportunities would first go to public housing and section 8 residents who are familiar with the environment. The added advantage of home ownership would bring a new dynamic to the area that would also address the crime issue. Commissioner Palega said that there is a lot of home ownership in that area and there is still a high rate of crime.

Vice President Brown asked if they had considered putting up a wall versus the trees that divide the new development from Alice Griffith because it seems to just invite trouble. Mr. Dalton referred to the map and indicated that the backyard areas are guarded by 6 foot high fences, but the goal is to integrate Alice Griffith and the new development.

Commissioner Clark asked Mr. Dalton to explain the components of the development. Mr. Dalton stated that the project will be entitled and they will put up their own equity and privately finance it, sell the units, pay back their equity and the balance of the proceeds would be paid to the Housing Authority. Depending on how the deal is structured, there would be a long-term ground lease with the Housing Authority and the Authority would retain ownership of the land.

Vice President Brown asked if any thought had been put into any stores for the people living in the area. Mr. Dalton said that in collaboration with the staff, that alternative is being investigated.

In response to Commissioner Woodruff's question, Mr. Dalton stated that there is an empty lot where the garden expansion is planned.

Vice President Brown asked how much outreach has been done with the current residents of Alice Griffith. Mr. Fortner answered that a number of meetings have been held at Dr. Walker's church as well as on site. Vice President Brown requested notification of the following meetings with the residents.

Commissioner Palega asked the number of years being suggested for the ground lease. Mr. Fortner answered it will be very long, but in order to obtain HUD approval, the ground lease must have affordable qualities and be in line with the SFHA, HUD and what is best for the residents. Commissioner Palega stated that the Commission should be in agreement with the time period as well.

Commissioner Clark asked if the goal was to make home ownership possible for current public housing residents. Mr. Fortner answered that the first preference would go to existing Public Housing and Section 8 residents, but nothing had been finalized. If enough people are not pooled, the waiting list would be utilized. Commissioner Clark asked why

market rates were not being used for some of the units in order to maximize the profits. Mr. Fortner stated that Commissioner Clark's idea could be a component of the plan if the Housing Authority purchased some of the property, although, initial profits will be realized. The SFHA also has the authority to do a Section 8 homeownership program, but the high priced housing in San Francisco had prevented the SFHA from previously doing so, but this endeavor may make it possible. Commissioner Clark asked what defensible space means. Mr. Fortner explained that there is a concept called crime prevention through environmental design. The notion is that a resident is less likely to have criminal activity if the space is defendable through methods such as natural surveillance.

Commissioner Brown asked what the SFHA profit would be in this deal. Mr. Fortner stated that the SFHA is expecting 7 figure profits. This project is intended to provide additional income to the SFHA due to the lack of HUD dependability. Commissioner Brown asked whether that funding would go into the general capital fund. Mr. Fortner answered that it depends on the budget, but he expects that it would be used to pay down the debt on the public housing reserve.

Continuing in the Secretary's Report, Mr. Fortner stated that the SFHA insurance company, Housing Authority Risk and Retention Group (HARRG) would be in the area on January 8, 2004, the first Commission meeting of the year. They had agreed to attend the meeting and answer any insurance questions. Mr. Fortner reminded the Commission of the Mayoral Celebration on November 14, 2003, at 11:00 a.m. Seven hundred to one thousand people are expected and the Mayor is scheduled to arrive at 12:15p.m. Mr. Fortner briefly described who was scheduled to be on the program. The PHTA elections were announced again, and Mr. Fortner stated that Mr. Vitale would soon be joined by someone on a consistent basis.

Due to the security concerns at Plaza East a strategizing meeting was held earlier in the day. Representatives from the SFPD, members of the management team, and the private security company were in attendance. Mr. Fortner said that everyone is working together to prevent the situation from getting out of hand. Finally, Mr. Fortner asked for a moment of silence for DeShawn Dawson, a Sunnydale resident, killed by a stray bullet while riding the Muni Bus.

Commissioner Clark asked if the SFHA has public officials liability coverage or if it is product that is available. Mr. Fortner answered yes and that attached to that memo is the actual language of the policy, but on January 8, 2004 a representative of the insurance company will be here to address any questions of the Commission.

6. COMMITTEE REPORTS

Diversity Committee
No report.

Finance Committee
Commissioner Palega stated that a Finance Committee meeting is scheduled for November 18, 2003.

Personnel Committee
No report.

7. REPORT OF AGENCY COUNSEL

Agency Counsel Donna Martin stated that the items noticed on the agenda were to be discussed during the Closed Session. The cases to be discussed are the Walker vs. SFHA, Evans vs. SFHA, USA vs. SFHA, and a case whose name is unspecified to avoid jeopardizing settlement negotiations. Ms. Martin informed the Commission that the insurance representative encourages them to provide any questions or concerns that the Commission would like addressed. The questions and concerns should be given to Ms. Martin or Ms. Owens.

8. TENANT REPRESENTATIVE REPORT

City Wide Council - Senior/Disabled

President William Vitale reminded the Commission and all that were invited that on December 10, 2003, the volunteer recognition luncheon would be held. A nice buffet is planned and individuals will be honored for their hard work throughout the year. President Lee thanked Mr. Vitale for putting on a wonderful party every year.

Public Housing Tenants Association (PHTA)

No representative was present.

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

There were no public comments on the agenda items.

11. NEW BUSINESS

President Lee announced that due to the initial amendment to the agenda, Unfinished Business would be heard after the New Business. Commissioner Brown was excused from the meeting.

Resolution No. 5129

(A) RESOLUTION MAKING FINDINGS IN CONNECTION WITH ENVIRONMENTAL REVIEW; AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A DISPOSITION AND DEVELOPMENT AGREEMENT WITH MISSION HOUSING DEVELOPMENT CORPORATION (MHDC); AND AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE EVIDENTIARIES FOR THE HOPE VI REVITALIZATION OF THE VALENCIA GARDENS PUBLIC HOUSING SITE

Barbara Smith, Housing Development and Modernization Administrator presented the resolution. The resolution asked the Commission to make certain findings and take certain actions for the revitalization of Valencia Gardens. The actions were essential for completing the predevelopment work prior to closing and the start of actual construction. The Commission will be asked to take further action prior to closing, before entering into a ground lease or the execution of any additional documents. The terms of the disposition and development agreement (DDA) is between Mission Housing Corporation and the San Francisco Housing Authority on design, construction, financing, performance schedule, ownership, management and repurchase options of the improvements at Valencia Gardens. The DDA, negotiated over past several months, establishes basic parameters used to solidify the financing commitments from private and public investors. Goldfarb and Lipman and CSG Advisors were an integral part of the negotiations. Ms. Smith introduced their representatives, Diane Jackson-McLean of Goldfarb and Lipman and Peg Stone of CSG Advisors. The DDA is based on previously executed documents authorized by the Commission including the HOPE VI Grant Agreement, the Memorandum of Understanding between the SFHA and Mission Housing, the Predevelopment Loan Agreement, and the Preconstruction Loan Agreement. The DDA details the overall revitalization strategy, the responsibilities of the parties, insurance and indemnification requirements, the time frame, and business parameters for the revitalization of Valencia Gardens. Continuing in her report, Ms. Smith stated that the HUD approved revitalization plan called for the demolition of the existing structures and was scheduled to begin the following week. Remediation is almost complete and the construction of 260 new apartments, with up to 11,000 square feet of community facility space is on task to begin. Approximately 80% of the new units will be public housing replacement units with Annual Contribution Contracts or Section 8 project based subsidies. And approximately 20% will be for low income housing tax credit. These are slightly higher income working families. The community building activities, funded through HOPE VI, include economic development, self-sufficiency services, employment training, and computer learning. The DDA provides for the Authority to enter into a ground lease, but the ground lease will be

presented to the Commission at a later date. The DDA also outlines the partnership that would own and manage the improvements. This would include an affiliate of the Housing Authority, Mission Housing, and a limited equity tax credit investor as a special limited partner. The new housing improvements would be owned by this partnership after the construction is completed. After 15 years, the Housing Authority has the option to purchase back the improvements at a restricted price of the outstanding debt. The outstanding debt will be negotiated as an assumption of that debt and exit taxes for the investor. Ms. Smith stated that recently completed were the on-going meetings with community advocates and residents, work with the construction contractor to provide value engineering and construction cost estimates, Mission Housing's development of a minority woman business enterprise occupation plan, and a resident hiring plan. The plans received unanimous approval from the Planning Commission on June 26, 2003. The development was awarded seven million dollars in state multifamily housing funds. The Sequa environmental approvals had been obtained and the NEPA environmental approvals had been obtained from HUD. The Bafano sculptures were relocated to the Art Commission Conservator. The design development documents were 100% complete and the cost estimating had been done. Extensive value engineering was done to reduce the cost and stay within the budget of available sources. The demolition permit had been obtained from the city and is ready to begin. An application had been submitted to the California Housing Finance Agency for tax exempt financing, an allocation of tax exempt bond financing, and for tax credits. Collaboration with the California Housing Finance Agency resulted in some delays due to their detailed design requirements. Lengthy negotiations between CalHFA and HUD resulted in the ultimate design completion and most recent cost estimates. Upcoming activities include 50% completion of the construction documents by February 2004 and 100% by May 2004. In May, the staff will come back before the Commission with the final negotiations of the evidentiaries. All financing commitments will be in place by July 2004. The closing documents will be submitted in July and the closing is scheduled to take place in September of 2004. Actual construction of the new buildings will begin in October. Ms. Smith stated that the DDA is not an authorization to expend money, but the funding committed to the development and the upper limit of the SFHA obligations are detailed. The amount is $18,380,641 of the $23,230,641 HOPE VI grants. The balance of the funds are being retained by the Housing Authority for relocation, community and supportive services, and administration fees. The budget has increased from $61 million to $66 million. This was a direct result of the negotiations with CalHFA to increase the square footage of the buildings by 14%. The sources have also increased and are in balance. Ms. Smith invited Carlos Ramiro of Mission Housing to address the financing, the schedule and resident hiring.

Carlos Ramiro introduced other members of his team that were present to answer questions. Mr. Ramiro reiterated Ms. Smith's points and entertained any questions from the Commission.

President Lee asked why the ground lease does not have to be approved by the Authority and if there was anything else in the documents that are not subject to the SFHA's

approval. Ms. Smith explained that the ground lease lays out the affordability and the ongoing lease up requirements. They cannot be changed for the entire length of the ground lease without the Authority's approval. President Lee expressed concerns about the length of the ground lease when the Authority may have an undesirable tenant. Ms. Smith stated that the SFHA would serve as the general manager of the property just as it does with other developments. The SFHA lease requirements would be passed on to this development as well. President Lee asked Ms. Smith to explain the ownership structure. Ms. Smith stated that during construction, Mission Housing would be the lead managing general partner. After construction, the SFHA would step in as a co-general partner and would then be closely involved in overseeing the operations. The other party in the partnership is the limited partner, the tax credit investor, who is projected to provide $23 million in tax credit equity that does not have to be paid back. Mr. Fortner added that the reason that section is abbreviated is because supporting documents are to come before the Commission later on.

Diane Jackson-McLean of Goldfarb and Lipman added clarification. Ms. Jackson-McLean asked the Commission to reference section 11.1 of the DDA, which provided more detail of the structure of the partnership agreements. Ms. Jackson-McLean explained the structure, echoing the comments of Ms. Smith.

Commissioner Clark asked a series of questions. In response to those questions, Ms. Jackson-McLean answered that she worked for Goldfarb and Lipman, had been working on this project since the outset, and their company was under contract with the SFHA, but did not know the exact figure of how much she had been paid since the beginning of the project. Commissioner Palega interjected that Goldfarb and Lipman were being paid out of a $250,000 contract and a $150,000 contract. Ms. Jackson-McLean stated that this project is only one of several that their firm is being paid for by the SFHA. Commissioner Clark then asked if Ms. Jackson-McLean was responsible for preparing the documents and had she reviewed the documents being presented. She answered that they were responsible for negotiating the DDA and that she had reviewed them. Commissioner Clark asked if the documents were sound and if the SFHA was making a good choice in entering into this agreement. Ms. Jackson-McLean answered that it was her opinion that they were consistent with the objectives the Authority was trying to achieve. Furthermore, the DDA is an outline to further negotiations, particularly the financing plan. This is not a final budget, but is what their firm thinks is best at this point.

Kenneth Jones reviewed the financing plan according to Commissioner Clark's questions. Mr. Jones stated that the interest is projected at 5.5% on the first $6 million loan for 30 years. The lender being proposed is the California Finance Agency. Mr. Jones explained that the reason they are listed as a line item in a deferred loan as well is because of their special program provided to HOPE VI projects. As long as they are used as the permanent lender they approve a $1 million soft loan. The $23 million will be received after applying and receiving an allocation for bonds, apply for tax credit, and then investors are solicited to participate as a limited partner. Commissioner Clark asked Peg

Stone of CSG advisors if she had reviewed the financing component of the DDA. Ms. Stone answered that the sources and assumption identified are reasonable, and everything is on track as far as a good sound structure to achieve the goals set out for this project. In answer to Commissioner Clark's question, Ms. Stone answered that the "Use of Funds Cheat Sheet" was prepared by qualified SFHA staff along with engineers and she had looked at the estimates, but was not qualified to determine whether the figures were the most accurate. Ms. Smith stated that Steve Haines is responsible for the accuracy of the figures, but he was not present to answer questions. Commissioner Clark asked Ms. Smith if she was of the opinion that the current use of funds are accurate and efficient. Ms. Smith answered yes.

Commissioner Woodruff asked if the proposed childcare center would produce any revenue. Ms. Smith answered that the childcare center will cover its costs, but will not generate any money. It is designed to pay for itself by serving low-income families.

President Lee asked who was paying the lawyers fees. Mr. Fortner stated that they were paid out of the HOPE VI grant and represent the SFHA. Mr. Ramiro stated that Mission Housing has its own lawyers.

Commissioner Palega moved to approve Resolution No. 5129. Commissioner Clark seconded the motion. The motion to approve Resolution No. 5129 was unanimously passed.

Resolution No. 5130

(B) RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2003

Naja Boyd, Deputy Executive Director presented the details of the resolution. Ms. Boyd explained that management operations is comprised of six areas: unit turnaround, maintenance work orders, annual inspections, capital funds, security, and economic self-sufficiency. This year the SFHA will be submitting a score of 87%, equivalent to being a standard performer, based on HUD's ranking. Out of a possible score of 30 the SFHA would receive 26. The deadline for submission is November 30, 2003.

Commissioner Clark asked why the SFHA wasn't receiving 30 points. Ms. Boyd explained that the vacant unit turnaround has caused the SFHA to lose points over the last few years, but there is a continual effort to improve that. Commissioner Clark asked if the scorers were aware of the financial challenges of the agency. Ms. Boyd answered that units that are in difficult areas to house or have extensive damage are exempt and that is factored into the SFHA score.

Commissioner Clark moved to approve Resolution No. 5130. Commissioner Palega seconded the motion. The motion to approve Resolution No. 5130 was unanimously passed.

Resolution No. 5131

(C) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

Lawrence Andrews, the Section 8 Administrator, was accompanied by George Lynn, the Section 8 Auditor, to present the details of the resolution. Mr. Andrews stated that the SFHA would be receiving a score of 91% for superior performance. This level of success was possible due to the lease-up efforts achieved earlier in the year.

Commissioner Woodruff asked why the resolution indicated Mr. Fortner as the Acting Director. Mr. Fortner answered that an old template was used. Mr. Andrews apologized for the error. Commissioner Woodruff moved to amend the resolution to omit the word Acting. Commissioner Gans seconded the motion. (The word Acting was not used on the actual resolution and therefore was not amended.)

Commissioner Clark congratulated Mr. Fortner for achieving one of his performance standard goals, increasing the SEMAP score. Mr. Fortner returned the accolades to the staff for doing a great job.

President Lee commented on the areas of deficiency in the score and asked Mr. Andrews to make the necessary staff improvements in customer service to improve the score.

Commissioner Clark asked Mr. Lynn about his role in the process as an auditor. Mr. Lynn answered that he monitors the activities that the SEMAP scores are based on and makes suggestions of improvements. Mr. Fortner added that Mr. Lynn's job refers to processes and not financial.

President Lee asked how the SFHA could receive a higher score in the bonus area of deconcentration. Mr. Lawrence answered that it is very difficult to earn those points because of the high cost of the different neighborhoods where deconcentration would occur. President Lee encouraged them to do a better job.

Commissioner Palega moved to approve Resolution No. 5131. Commissioner Clark seconded the motion. The motion to approve Resolution No. 5131 was unanimously passed.

Resolution No. 5132

(D) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE ORDER TO PAY THE HOUSING AUTHORITY RISK RETENTION GROUP FOR GENERAL LIABILITY DEDUCTIBLES FOR THE 2003-2004 POLICY YEAR IN AN AMOUNT NOT TO EXCEED $150,000.00

Dominica Henderson, Executive Assistant in the Office of General Counsel provided the details of this resolution. Resolution No. 5127 accepted the general liability policy for the 2003-2004 fiscal year and that policy has a $25,000 deductible. The resolution before the Commission requests the Authority to pay the $25,000 deductibles the claims have. In 2001-2002 the Agency paid $246,732.10 in deductible fees. In 2002-2003, $184,835.09 was paid in deductible fees. The Authority experienced a 25% decrease in deductible payments. A series of management training programs have been instituted as preventative measures to the filing of claims. A decrease in the deductible expenses is also expected for this year.

Commissioner Clark gave Ms. Henderson many compliments on her work performance and wished her well in her graduate school endeavors.

Commissioner Clark moved to approve Resolution No. 5132. Commissioner Palega seconded the motion. The motion to approve Resolution No. 5132 was unanimously passed.

- ANNOUNCEMENT REGARDING THE SECOND MEETING IN NOVEMBER AND THE SECOND MEETING IN DECEMBER 2003

Mr. Fortner announced that the second meeting in November and December are on Thanksgiving and Christmas and if the Commission wanted to cancel those meetings, a majority vote was in order. Mr. Fortner reminded the Commission that if anything came up a Special Meeting could be called with 24 hours notice.

Commissioner Palega moved to cancel the second meeting in November and December. Commissioner Smith seconded the motion. The motion to cancel the second meeting in November and December was unanimously passed.

President Lee stated that Commissioner Brown had some issues with the Unfinished Business item and ~~suggesting~~ **suggested** a motion to table the item until the next meeting. Commissioner Palega **interjected a motion** ~~moved~~ to table Unfinished Business Item A. Commissioner Gans **said, "table it."** ~~seconded the motion~~. ~~Commissioner~~ **President Lee** also suggested that the option to proceed was available. Mr. Fortner stated that the contractor was present, if any of the other Commissioners had any questions they would like addressed. Although, Mr. Fortner stated that the Commission was within their rights

to table the item. If an emergency should arise before hearing this item at the next meeting, a Special Meeting might have to be called.

President Lee asked if the resolution pertained to a water heater or water plumbing because if it was water plumbing then it could wait.

10. (A) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH SONOMARIN INC. FOR DOMESTIC HOT WATER HEATERS, STORAGE TANKS, ASSOCIATED EQUIPMENT, AND PIPE REPLACEMENT WORK AT CAL 1-1, HOLLY COURTS, IN AN AMOUNT NOT TO EXCEED $373,818.00

Commissioner Palega asked if he needed to restate his motion. Mr. Fortner answered after the questions.

Barbara Smith stated that the work includes demolition, removal and replacement of the existing heating and hot water storage tanks.

Commissioner Palega asked what the contractor was going to use instead of plumbers. George Merrill, President of Sonomarin stated that they are licensed plumbers and will be doing most of the work themselves. 1600 hours are estimated, of which 400 will be allocated to a residential employee. Commissioner Palega asked if they would be using apprentices. Mr. Merrill answered yes. **They are a member of Associated Builders and Contractors (ABC), a state certified apprenticeship program. Mr. Merill estimated that** the project will take 6-8 weeks. Commissioner Palega asked if Sonomarin had ever done any work like this for the SFHA before. Mr. Merrill answered no, but listed the places where they had.

President Lee asked how long the warranty is. Mr. Merrill answered 2 years. Ms. Smith clarified that the equipment has a 5-year warranty and the labor is for 2 years.

Commissioner Palega asked what the specifications are for the 5-year warranty. Ms Smith answered that it must be installed according to the specifications.

Commissioner Woodruff asked what the in-house bid was. Ms. Smith answered that it was $489,479.

Commissioner Palega asked if an engineer provided an opinion as to whether the project could be completed at that cost. Ms. Smith answered yes and the estimator stated that they were confident that the work could be completed within the bid. Commissioner Palega asked what Mr. Merrill's staff consisted of. Mr. Merrill answered that he and his partner would do the majority of the work along with the apprentice and the resident hire Mr. Merrill stated that if they see that they cannot complete it, others would be hired

Commissioner Palega expressed concern about the discrepancy between the length of the manufacturers warranty and the labor warranty.

Commissioner Palega moved to table the item. President Lee asked for a second. Commissioner Palega stated that he was under the impression that to table an item, you don't need a second. Ms. Martin stated that it must be voted on. Commissioner Palega contended that that was incorrect. Ms. Owens agreed **and stated that it's never been voted on in the past**. Mr. Fortner stated that the only reason items were tabled in the past without a vote was because there was a consensus among the Commission to do so and didn't believe a Commissioner could unilaterally table an item. Commissioner Palega stated that it only takes one person to table an item. Mr. Fortner suggested postponing the vote until after the closed session and a review of Robert's Rules of Order.

12. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

There were no public comments on items not on the agenda.

13. COMMISSIONER COMMENTS AND REPORTS

Commissioner Palega announced that he participated in distributing over 400 turkeys in the Bay View Hunter's Point area and there will be another turkey give-away on the day before Thanksgiving.

14. CLOSED SESSION

President Lee announced that the Commission had concluded its public business and would go into closed session. A Closed session was scheduled with the Executive Director and Agency Counsel under Government Code Section 54956.9 (b)(1) to discuss pending litigation under Government Code Section 54956.9(a) (Walker vs. SFHA, Evans vs. SFHA and USA vs. SFHA; case name unspecified to avoid jeopardizing existing settlement negotiations). The Commission went into closed session at 6:06 p.m.

15. RECONVENING OF COMMISSION MEETING

The Commission reconvened at 6:52 p.m. Ms. Martin announced that the Commissioners were updated regarding the pending cases noticed on the agenda. Present were President Lee, and Commissioners Smith, Gans, and Woodruff.

President Lee stated that because no one seconded Commissioner Palega's motion to table Item A of Unfinished Business, it would be heard. Commissioner Woodruff stated that Ms. Martin provided the Commission with a copy of Robert's Rules of Order to clarify how to table an item.

10.

Resolution No.5133

(A) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH SONOMARIN INC. FOR DOMESTIC HOT WATER HEATERS, STORAGE TANKS, ASSOCIATED EQUIPMENT, AND PIPE REPLACEMENT WORK AT CAL 1-1, HOLLY COURTS, IN AN AMOUNT NOT TO EXCEED $373,818.00

Commissioner Smith moved to approve Resolution No. 5133. Commissioner Gans seconded the motion. The motion to approve Resolution No. 5133 was unanimously passed.

16. ADJOURNMENT

Being no further business to come before the Commission, Commissioner Woodruff moved to adjourn the meeting and Commissioner Smith seconded the motion. President Lee adjourned the regularly scheduled meeting of November 13, 2003 at 6:55 p.m.

Gregg Fortner, Secretary/Executive Director

Julie Lee, President

SAN FRANCISCO HOUSING AUTHORITY

440 Turk Street • San Francisco CA • 94102 • (415) 554-1200

NOTICE

THE REGULARLY SCHEDULED MEETING OF THE
SAN FRANCISCO HOUSING AUTHORITY COMMISSION
WILL BE HELD ON THURSDAY, DECEMBER 11, 2003 AT 4:00 P.M.
AT 440 TURK STREET, SAN FRANCISCO, CALIFORNIA, 94102

AGENDA
December 11, 2003

DOCUMENTS DEPT.

JUN - 8 2005

SAN FRANCISCO
PUBLIC LIBRARY

1. ROLL CALL

   Julie Lee, President
   George R. Brown, Vice President
   Sululagi Palega, Sr., Commissioner
   Betty J. Smith, Commissioner
   Andrew J. Clark, Commissioner
   Neola Gans, Commissioner
   Rev. George Woodruff, Commissioner

2. APPROVAL OF AGENDA

3. APPROVAL OF MINUTES

   - October 23, 2003 Regular Commission Meeting
   - November 13, 2003 Regular Commission Meeting

4. GENERAL COMMUNICATIONS

5. REPORT OF SECRETARY

6. COMMITTEE REPORTS

   Diversity Committee – Nothing to Report
   Finance Committee – Nothing to Report
   Personnel Committee – Nothing to Report

7. REPORT OF AGENCY COUNSEL

8. TENANT REPRESENTATIVE REPORT:

City Wide Council - Senior/Disabled
Public Housing Tenants Association (PHTA)

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

10. UNFINISHED BUSINESS - NONE

11. NEW BUSINESS

(A) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A TWO-YEAR CONTRACT WITH HESSELBERG, KEESEE & ASSOCIATES, INC. TO PROVIDE ELEVATOR CONSULTANT SERVICES ON AN AS-NEEDED, TASK ASSIGNMENT BASIS FOR ALL DEVELOPMENTS IN A TOTAL AMOUNT NOT-TO-EXCEED $150,000

12. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

13. COMMISSIONER'S COMMENT AND REPORT

14. CLOSED SESSION

A Closed session is scheduled with the Executive Director and Agency Counsel under Government Code Section 54956.9 (b)(1) to discuss pending litigation under Government Code Section 54956.9(a) (Walker vs. SFHA, Evans vs. SFHA and USA vs. SFHA; case name unspecified to avoid jeopardizing existing settlement negotiations).

15. RECONVENING OF COMMISSION MEETING

16. ADJOURNMENT

GREGG FORTNER, Secretary/Executive Director

A

SAN FRANCISCO HOUSING AUTHORITY
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TO: SAN FRANCISCO HOUSING AUTHORITY COMMISSIONERS

Julie Lee, President
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

FROM: GREGG FORTNER, SECRETARY / EXECUTIVE DIRECTOR

DATE: DECEMBER 5, 2003

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A TWO-YEAR CONTRACT WITH HESSELBERG, KEESEE & ASSOCIATES, INC. TO PROVIDE ELEVATOR CONSULTANT SERVICES ON AN AS-NEEDED, TASK ASSIGNMENT BASIS FOR ALL DEVELOPMENTS IN A TOTAL AMOUNT NOT-TO-EXCEED $150,000

OVERVIEW

This Resolution will authorize the Executive Director to enter into a contract with the highest-ranked elevator consultant firm on an as-needed, task assignment basis for all developments over the next two years. This contract will provide the San Francisco Housing Authority (Authority) with elevator consultant services for planned elevator upgrades from Capital Fund programs funds for 2002 and 2003 for operational fiscal years 2004 and 2005.

The Authority operates 51 elevators at 31 development sites. Periodic testing and evaluation is required to ensure proper operation and maintenance, and to establish recommendations for modernization and up-grades for new code requirements. The Authority does not have staff with the specialized expertise required to investigate and evaluate the elevator systems and equipment, or to prepare bid documents for elevator up-grades. This contract will provide specialized expertise and guidance to assist both Modernization and Maintenance Departments with elevator issues.

OBJECTIVE

The objective of this contract is to provide the Authority with competent professional elevator consultants for assessing, upgrading and maintaining its elevator systems.

The task assignment services may include:

1. Provide field and office testing and investigations, evaluations, analysis and reports in writing for existing elevators at the Authority's Developments;

2. Develop recommendations and cost estimates to provide up-grades to any conditions revealed in the investigations and evaluations of existing elevators, including any new requirements for accessibility under the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973 (Section 504);

3. Prepare comprehensive construction documents for public bidding within an agreed estimated construction cost for elevator modernization or up-grades;

4. Apply for and obtain construction permits;

5. Assist with clarifications during the public bid phase, contract award phase, and pre-construction phase;

6. Assist Authority's staff in planning and conducting resident briefings, in notifying residents of elevator modernization or up-grade plans, and relocation or alternative service proposals covering the duration of the construction phase;

7. Assist the Authority's staff during the construction phase by providing construction administration support services such as clarifications, review of submittals, review of proposed contract changes, performing periodic site inspections, and conducting a final survey to determine if the work performed was in accordance with the project plans and specifications;

8. Assist the Authority's staff in the preparation and review of elevator service proposals and agreements, operating and maintenance manuals, and general elevator management procedures.

PROCUREMENT

The procurement process for the action covered by this Resolution meets the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1, "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and the State of California and local laws. The completed procurement process has been reviewed and approved by HUD.

The Authority and all public agencies in California are required by State and Federal law to select engineering consultants on the basis of qualifications in the form of a Request for Qualifications (RFQ).

Solicitation Process
Pre-approval of this RFQ document and process was obtained from Authority management prior to advertisement. The Housing Development and Modernization Department (HD&M) developed this specific RFQ document based on the Authority's master procurement documents prepared by the Procurement and Contracts Department. The Procurement Department reviewed and approved the documents prior to the start of the RFQ process.

Solicitation 03-620-RFQ-038 was issued on July 28, 2003. Announcement of the RFQ was made to the City Outreach Services and was put on the web sites for the Authority, the City, and the Small Business Administrations. The notice of the RFQ was published in the San Francisco Chronicle/Examiner, Daily Pacific Builder, Sing Tao Daily, and the San Francisco Bay View. Announcements and RFQ packets were mailed directly to four prospective professionals firms. Neither the San Francisco Human Rights Commission nor the Contractors Blue Book contains listings for this specialized profession.

Two Statements of Qualifications were received on the August 28, 2003 due date:
- Hesselberg, Keesee & Associates, Inc.
- Syska Hennessy Group

Hesselberg, Keesee & Associates, Inc. is a small San Francisco firm established in 1963. The five technical staff have an average of twenty years' experience in elevator work: senior technical staff average thirty years' experience. Recent public sector clients include the Oakland Housing Authority, the City of Berkeley, UC Berkeley and UC San Francisco. Private sector clients include the Embarcadero Center, Wells Fargo Corporate Properties Group, and the Phelan Building.

Established in 1928, the Syska Hennessy Group is a national consulting, engineering, technology, and construction firm with offices in eleven cities. The San Francisco office employs ten people including seven technical staff with an average of over twenty years' experience in elevator work. Recent public sector clients include the US Army Corps of Engineers, the SeaTac International Airport, and the University of Washington. Private sector clients include the Bank of America, the Chrysler Building, and the Hyundai Kangnam Office in Korea.

Evaluation Process
In conformance with the Authority's Procurement Procedures Manual, the Evaluation Panel individually reviewed the written Statements of Qualifications. At the same time, staff checked the references provided by each firm and provided the results to the Evaluation Panel members. Then, the Evaluation Panel invited the two responding firms for oral interviews. After the interviews, the Evaluation Panel prepared a final evaluation and scoring to select the firm with the highest-ranked qualifications.

Evaluation Criteria

Listed below are the evaluation criteria and their relative weight. Described in italics are the reasons for the different criteria. The evaluation criteria are based on the Authority's standards for Request for Qualifications questions and weighing contained in the Authority's Procurement Procedures Manual. The Director of Contract/Procurement Division approved the criteria and weigh given to each.

No.	Criteria & Reason	Weigh t
A	Criterion: Qualifications. *This allows evaluation of the firm's technical expertise as measured by the quantity and type of work performed by the firm and its years in business.*	20 points
B	Criterion: Staff Profiles. *This provides insight into the quality of the staff as measured by their professional degrees, licenses and experience with the type of work required by this contract. The local staff size and their credentials is a quantitative measure of their knowledge, and is indicative of their ability to respond quickly with qualified staff.*	20 points
C	Criterion: Understanding of the project. *This demonstrates the firm's familiarity with elevator issues most frequently encountered with urban public housing in both family housing and mid-rise buildings. A firm with this experience is most capable of providing economical, efficient solutions to by the Housing Authority.*	40 points
D	Criterion: Approach to Project. *This item allows us to determine that the selected firm not only has office technical skills but also possesses sufficient field experience to effectively deal with field problems and contractor issues.*	15 points
E	Criterion: Affirmative Action. *This allows evaluation of the firm's commitment to MBE/WBE participation and analysis of its detailed plan for hiring and training Authority residents.*	5 points
	Total	100 points

The following are the combined scoring results of the written proposals and the interviews:

Firm	Reviewer 1	Reviewer 2	Reviewer 3	Total
♦ Hesselberg, Keesee & Associates, Inc.	193	185	171	549
♦ Syska Hennessy Group	167	182	183	532

The following are the ranking results of the combined written proposals and the interviews:

Firm	Reviewer 1	Reviewer 2	Reviewer 3	Total
♦ Hesselberg, Keesee & Associates, Inc.	1	1	2	4
♦ Syska Hennessy Group	2	2	1	5

Evaluation Panel Conclusions
By their scoring and ranking, the Evaluation Panel determined that Hesselberg, Keesee & Associates, Inc. was the top-rated firm. Hesselberg has significant prior experience with public agencies and institutions, and has consulted with other housing authorities. Hesselberg had a prior contract with the Authority that was performed satisfactorily. The reference checks on the two firms produced no negative comments about Hesselberg, while two references for Syska did not produce positive responses in every question category.

The Evaluation Panel also noted that Hesselberg takes a diagnostic / pro-active approach on elevator evaluation, maintenance recommendations, detailed modernization plans, and oversight of elevator maintenance contractors. Moreover, the firm has an on-going relationship with the local State Elevator Inspectors. The two Principals, indicating a willingness to do excellent work, oversee most of the consultation work for the firm, including inspections and evaluations. An understanding of the type of work that would be required and the budget constraints were presented and discussed in great detail.

Evaluation Panel Members
Chairperson: Architect, Housing Development and Modernization Department, Construction Services Manager. Selected for expertise in public housing design and construction, procurement, and consultant management.

Member: Maintenance Department, Manager, Inspection and Scheduling. Selected for expertise in public housing maintenance and familiarity with Authority elevator performance and maintenance.

Member: Architect, Housing Development and Modernization Department, Senior Project Manager. Selected for expertise in public housing design and construction.

PRESENT SITUATION

In recent years, the Authority has not had an as-needed elevator consultant or in-house staff with special expertise in elevator systems. Consequently, the elevators have not had a comprehensive evaluation and recommendation program in the last several years. Instead, the Authority has hired consultants on an individual basis to address any urgent elevator problems that have occurred. The Authority now desires to assess all elevators on a comprehensive basis to ensure continued safe and reliable service into the future.

In addition, the Authority is ready to create modernization plans and public bid documents for the buildings with the highest number of trouble calls (currently 838 Pacific, 320/330 Clementina, and 1251 Turk).

ANTICIPATED OUTCOMES

If this contract is approved the anticipated outcomes are:

- The Authority will receive quality elevator consultant services to investigate and evaluate the elevator systems and equipment, to make recommendations for modernization and up-grades for new code requirements, and to advise on maintenance activities.
- The Authority will obtain comprehensive construction documents for public bidding within an agreed estimated construction cost for elevator modernization or up-grades.
- The Authority will receive professional guidance on changes to the strict Elevator Safety Orders of the Division of Industrial Safety of the California Department of Industrial Relations and with all Federal, State and City Codes and Regulations.
- The Authority will obtain expertise for prioritizing the modernization, up-grades and maintenance needs to ensure safe and efficient elevator access and service to residents.
- Residents will have opportunity for training and employment.

WHO BENEFITS

Residents benefit from having appropriate elevator consultant services for all contracted and in-house elevator construction work and elevator maintenance work. Improper elevator service greatly reduces the quality of life for residents. Residents also benefit by the Authority's ability to respond quickly to emergency situations. The Authority benefits by obtaining professional guidance to allocate scarce resources to achieve the maximum results in elevator system operations.

BUDGET CONSIDERATIONS

Funding for this planned contract is immediately available within the FY2002 Capital Fund Program. The Authority and all public agencies in California are required by State and Federal law to select engineering consultants on the basis of qualifications in the form of a Request for Qualifications (RFQ). After the most-qualified firm is selected, the hourly billing rates and reimbursable expenses are negotiated. The rates are not confidential, as there is no price competition between the responding firms.

The service term for this two-year contract will be for the Authority's fiscal years 2004 and 2005.

The following hourly billing rates were negotiated by the Deputy Administrator and the Construction Services Manager for the Housing Development and Modernization Department. The rates are 15% below the rates the Authority has paid in the past for elevator consultants.

Principal	$160
Senior Elevator Engineer	$125
Elevator Engineer	$ 75
Clerical	$ 53

RESIDENT EMPLOYMENT

Hesselberg, Keesee & Associates, Inc. has agreed to hire public housing residents to meet or exceed the 25% requirement established by Commission Resolution No. 4967 for non-construction contracts that exceed $50,000. They have contacted the Authority's resident hiring specialist to seek out and interview qualified Authority residents for job opportunities in their office. A copy of their November 24, 2003 letter describing the employment opportunity is attached. Over 300 hours of full-time employment of public housing residents will be provided in this contract.

MBE/WBE STATUS

Hesselberg, Keesee & Associates, Inc. is a small local Business Enterprise. It has a diverse workforce in its office and has provided an Affirmative Action Acknowledgement form that meets the requirements of Executive Order 11246. It is not a MBE/WBE firm. Neither the San Francisco Human Rights Commission nor the Contractors Blue Book contains listings for this specialized profession.

RECOMMENDATION

Staff recommends approval of this Resolution.

(Prepared by Barbara Smith and Steve Haines, Housing Development and Modernization Department)

EXHIBIT A-1

Hesselberg Keesee

Memo to SFHA Commissioners
December 5, 2003 - Attachment
Solicitation No. 03-620-RFQ-038

November 24, 2003

Mr. Steve Haines
San Francisco Housing Authority
1815 Egbert Avenue
San Francisco, CA 94124

Dear Steve:

As we discussed, the resident hiring program is part of our contract requirements and as such, we would best be able to train an administrative assistant. The person would be performing the following work and need the following qualifications:

Responsibilities:

- Typing Elevator Conditions Reports on Computer
- Schedule Appointments for Elevator Surveys
- General Filing
- Create New Files
- Visit Job Sites

Skills:

- Computer Knowledge with Microsoft's Excel and Word

The work schedule would not exceed 20 hours per week and would be flexible between the hours of 8:00 a.m. – 5:00 p.m. The duration of this job would be six (6) months.

We look forward to interviewing potential candidates and should you have any questions, please let me know.

Very truly yours,

HESSELBERG, KEESEE & ASSOCIATES, INC.

Thomas L. Wendt
Principal

TLW/wl

415 243-0313
fax 415 243-0781
221 Main Street, Suite 1580
San Francisco, CA 94105
www.elevatorconsulting.com

RESOLUTION NO. 5134
DATE ADOPTED: 12/11/03

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A TWO-YEAR CONTRACT WITH HESSELBERG, KEESEE & ASSOCIATES, INC. TO PROVIDE ELEVATOR CONSULTANT SERVICES ON AN AS-NEEDED, TASK ASSIGNMENT BASIS FOR ALL DEVELOPMENTS IN A TOTAL AMOUNT NOT-TO-EXCEED $150,000

WHEREAS, the San Francisco Housing Authority (Authority) requires a consultant who can provide elevator consultant services on an as-needed, task assignment basis; and

WHEREAS, the Authority has no current elevator consultant contract; and

WHEREAS, the Authority has programmed capital work funded with the FY 2002 and FY 2003 Capital Fund Programs which will require elevator consultant services; and

WHEREAS, Hesselberg, Keesee & Associates, Inc. has been selected through the Request for Qualifications process as the most qualified firm for this work; and

WHEREAS, funding is available within the FY 2002 Capital Fund Program budget; and

WHEREAS, the procurement process for this contract meets the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1 "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and the State of California and local laws, and has been reviewed and approved by HUD.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Executive Director is authorized to enter into a two-year contract with Hesselberg, Keesee & Associates, Inc. for Elevator Consultant Services on an as-needed, task assignment basis for all developments in a total amount not-to-exceed $150,000.

2. This Resolution shall take effect immediately.

APPROVED AS TO FORM AND LEGALITY:

Donna Martin

DONNA MARTIN, General Counsel

Date: 12-05-03

REVIEWED BY:

GREGG FORTNER, Executive Director

Date: 12/5/03

HOUSING AUTHORITY
OF THE
CITY AND COUNTY OF SAN FRANCISCO

Minutes of Regular Meeting
Thursday, December 11, 2003

440 Turk Street
San Francisco, California

The Housing Authority of the City and County of San Francisco met in a regularly scheduled meeting at 440 Turk Street, San Francisco, California on Thursday, December 11, 2003, at 4:00 p.m.

President Julie Lee called the meeting to order at 4:16 p.m.

1. ROLL CALL

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Roll call found the following members to be:

PRESENT: *Julie Lee, President*
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

A quorum was present.

ALSO PRESENT: *Mr. Gregg Fortner, Executive Director*
Ms. Donna Martin, Agency Counsel

2. APPROVAL OF AGENDA

Mr. Fortner asked that the agenda be amended to reflect the November 18, 2003 Finance Committee meeting. Mr. Fortner asked Commissioners Clark and Brown if they wanted to defer the report to the next meeting, or report at this one. Commissioner Clark stated that he would report at this meeting and moved to approve the agenda as amended. Commissioner Woodruff seconded the motion. The motion to approve the agenda as amended was unanimously passed.

3. APPROVAL OF MINUTES

Commissioner Palega stated that he had previously requested amendments to the minutes and most were included. Commissioner Palega stated that at the October 23, 2003 meeting, William Vitale presented information verifying that resident Commissioners could not hold office, supervise positions and receive stipends. Commissioner Palega said that

the first set of minutes received did not mention that and to avoid the complaints of residents, they should be reassured that special preference is not given to Commissioners. Mr. Fortner informed Commissioner Palega that Ms. Owens stated that Mr. Vitale's comments were made at the October 9, 2003 meeting and that issue would be addressed during the General Communications. Commissioner Palega stated that the corrections made to the minutes stated that Commissioner Gans seconded the motion to table the item. President Lee stated that Vice President Brown had some concerns and he moved to table the item. Commissioner Palega stated that he had to leave that meeting early, but upon his departure he understood that the item had been tabled. Commissioner Palega stated that after the closed session, the item was heard and he was concerned about what was discussed in closed session because this issue was not noticed. Commissioner Palega stated that he had received the copy of the excerpt from Robert's Rules of Order and wanted to know if tabling and postponing an item were the same. Commissioner Palega stated that he felt that this was a backdoor tactic because the minutes stated that a vote was never taken to table an item and if the Commission is going to go into closed session and come out to move otherwise, the other Commissioners should be notified. Furthermore, Commissioner Palega said that he had more questions for Sonomarin. The representative had stated that he was working with the state apprenticeship board and Commissioner Palega said that he has yet to see a letter verifying that. Commissioner Palega said that Sonomarin was contacted by the local apprenticeship board, and refused to cooperate with them. In addition, if it were going to be the practice of the contractors and the staff to allow the contractor to make claims without any proof, he was going to be the first to ask for proof because he did not like how it was done. Commissioner Palega contended that if the record was checked, a vote has never been taken to table an issue and it was always a matter of mutual respect.

Mr. Fortner responded that this was not an accurate reflection of the minutes, the tape, or what took place at the meeting. When the necessity of a second to table an item was called into question, Commissioner Palega did not have the floor, but immediately stated that no vote had been taken in the past and it was not needed. Mr. Fortner said that Ms. Owens chimed in confirming that it had not been done in the past. At that time, Mr. Fortner responded that this was because there was always a consensus of the Commission. Mr. Fortner stated that Commissioner Palega pressed the issue of tabling an item unilaterally, but he challenged it. The Commission was informed that the matter would be researched and the results shared with the Commission. There was no discussion about the item in closed session. Mr. Fortner stated that copies of an excerpt from Robert's Rules of Order discussing postponing an item were distributed to the Commission. Mr. Fortner explained that postponing and tabling an item are synonymous and could not be done without a second and the majority of the Commission. Mr. Fortner said that Commissioner Palega's assessment of the minutes and the meeting, are not an objective reflection of the events that took place.

Commissioner Palega stated that the original minutes stated that Commissioner Gans seconded the motion and if every tape from past meetings were reviewed, it would reflect that no second or vote had ever been taken to table an item.

Mr. Fortner asked Commissioner Palega if it were discovered that past practices were incorrect, should the Commission continue to do it wrong. Commissioner Palega answered no, but when Mr. Fortner said that it would be researched, it was not understood that it would be brought back out under Unfinished Business and voted on again. Commissioner Palega said that when he left for another meeting, the notion was that the item had been tabled. Mr. Fortner stated that Commissioner Palega's recollection was inaccurate and the tape could be reviewed in closed session.

Vice President Brown stated that he had previously asked Ms. Martin if items not noticed on the agenda could be discussed in closed session and she responded that it was improper to do so. Vice President Brown inquired how it is possible to discuss and distribute information during the closed session if it wasn't noticed. He then stated that Mr. Fortner had said that it was not discussed, but how is it possible to distribute information. Vice President Brown asked how it was possible to return from the closed session and vote on a resolution. Ms. Martin stated that it was not dealt with during the closed session. Vice President Brown asked if the papers were just distributed and nothing was said to anyone. President Lee stated that according to her recollection, after coming out from the closed session, the discussion was reintroduced. Some Commissioners expressed concerns about the weather getting cold and the necessity of the project moving forward. After which, it was decided to vote on the matter. Mr. Fortner added that the minutes reflect that the contractor and staff were present and answered questions pertaining to the resolution before going into closed session. Mr. Fortner then read from the minutes stating, "Mr. Fortner suggested postponing the vote until after the closed session and review of Robert's Rules of Order." Mr. Fortner stated that the only thing contained in the hand out was an excerpt from Robert's Rules of Order, a public document, which pertained to postponing/ tabling an item. This was handed out to most of the Commissioners prior to entering the closed session.

Vice President Brown stated that heating is definitely a necessity for the residents, but their safety must also be taken into consideration when approving a resolution. Vice President Brown said that he had questions to address to the contractor, but assumes that his colleagues got the right answers. Commissioner Smith responded that she was glad that they passed the resolution because since then Rosa Parks has been without heating and it is very important to keep the senior buildings heated as well as the other residents. Commissioner Palega stated that it was never the intent to keep the boilers from being replaced, but rather to make sure it was done right. Furthermore, if the precedent of disrespecting each other is going to be set by going back and voting on an item after the Commissioner who tabled it leaves, then the Commission is setting itself up for a lot of other things. Commissioner Palega stated that legal counsel present at the table is supposed to be a neutral partner to help the Commission through these things and he

thought it to be very disrespectful to go into closed session knowing that two Commissioners had issues with the resolution. Commissioner Palega stated that it should be general courtesy that if the resolution is going to be reconsidered, the individual who tabled, or took issue with it, should be present. Commissioner Palega said that he would never go into closed session and then come back out and vote on an item that had been tabled by an absent Commissioner because that is disrespectful to all parties concerned. Commissioner Palega said that President Lee had stated that Vice President Brown had concerns and Commissioner Palega stated that he still had concerns because he had not seen a letter verifying that the contractor had signed an agreement with an apprenticeship program. In addition, Commissioner Palega said that it seemed a bit excessive for two people to do 6-8 weeks of work and had it been done wrong and the place burned down, there would have been some major problems. Commissioner Palega stated that he was looking at the situation as a Commissioner trying to set policy and provide direction in collaboration with everyone here, in order to avoid lawsuits and keep the agency out of harms way. Commissioner Palega reiterated that he had not seen a letter verifying the contractor's participation with an apprenticeship program and if the Commission is going to engage in setting policy, it needs to protect itself from being caught up in a lawsuit.

In response, Mr. Fortner restated that the item was not discussed in closed session, but rather, prior to. If Commissioner Palega remembered accurately, he moved to table the item, Commissioner Gans said, "Table it," not second, and that was when he interjected that the Contractor was in the audience to address any questions. Mr. Fortner stated that after the contractor answered additional questions, Commissioner Palega moved to table it again, and did not hear a second. Mr. Fortner encouraged the Commission not to convolute the situation because everyone is concerned about the safety of the residents and making sure their needs are met. The item was discussed in open session and Commissioners Clark and Palega were both present to hear the remarks of the contractor. Mr. Fortner then mentioned that the Commission's By-Laws state that, "all matters of Parliamentary procedure not covered by the By-Laws shall be handled according to Robert's Rules of Order." Therefore if procedures had been done incorrectly in the past, it should be acknowledged and corrected.

Commissioner Palega stated that there is still concern because the excerpt the Commission received dealt with postponement and not tabling. Commissioner Palega contended that Commissioner Gans did second the motion and after that point didn't need to second it again. Once a motion is on the floor, it stands. Commissioner Palega stated that there was never a call for a vote.

Vice President Brown said that he agrees that the Commission should follow Robert's Rules of Order, but if that is the case, the process was still incorrectly implemented because a second is not needed, but a majority vote is. Vice President Brown stated that the Robert's Rules of Order book doesn't even address tabling and it seemed that both parties had the issue confused. Vice President Brown asked Ms. Martin if the Commission was dealing with a postponement issue and not a tabling issue.

Mr. Fortner said that the Robert's Rules of Order were distributed to each Commissioner so that these issues can be avoided in the future. In addition, an investigation into obtaining an entity to come in and do a workshop on Robert's Rules of Order is being conducted.

Vice President Brown said to his fellow Commissioners that it was not mandatory, but the wishes of each Commissioner should be respected whether you agree with them or not.

Commissioner Palega stated that he would still like to see a letter from the state apprenticeship program verifying that this contractor has signed up to work with them. Mr. Fortner stated that the letter would be provided.

Commissioner Clark moved to approve the minutes of the October 23, 2003 Commission Meeting. Commissioner Smith seconded the motion. The motion to approve the minutes of the October 23, 2003 Commission Meeting was unanimously passed.

Commissioner Clark moved to approve the minutes of the November 13, 2003 Commission Meeting as amended. Commissioner Woodruff seconded the motion. The motion to approve the amended minutes of the November 13, 2003 Commission Meeting was unanimously passed.

4. GENERAL COMMUNICATIONS
5. REPORT OF SECRETARY

Executive Director Gregg Fortner asked the Commission's permission to report on the General Communications and Report of the Secretary simultaneously. Commissioner Clark asked what the difference is between the General Communications and Report of the Secretary. Mr. Fortner stated that he uses the General Communications as a notepad to go through the Report of the Secretary, but the By-Laws state that the Agenda must be in this order.

Mr. Fortner stated that the procurement for an insurance specialist on the Commission Request Log had been changed to combine it with the insurance presentation at the first meeting in January. The Commission might want to reconsider proceeding in this direction because it will be at a cost when we currently have brokers that perform much of the same work at no cost. The procurement was pushed back until January 8th so that the Commission could be more informed of insurance matters. Also included in the folder was the occupancy report after which was the security strategy that had been employed at Plaza East. The latter was in response to resident complaints about the activity in the development. Next was a flyer announcing the PHTA elections on December 30, 2003. By January 8, 2004, a representative should be present to give a report. The next document was about the federal regulations concerning Commissioners and Tenant Associations. Commissioner Palega had readdressed this issue so the memo was

redistributed although none of the SFHA resident Commissioners fit the criteria that would present a conflict in serving on both boards simultaneously. A copy of the first page of the By-Laws was included as it pertained to the earlier discussion of the minutes. Mr. Fortner pointed out that the By-Laws indicated that the meetings would be conducted according to Robert's Rules of Order. Finally included in the folder, was the book *Robert's Rules in Plain English.* Mr. Fortner asked the Commissioners to review the book so that the earlier confusion could be avoided at future meetings.

Mr. Fortner then proceeded into the Report of the Secretary. He announced that the HUD secretary Mel Martinez had resigned. The Deputy Secretary, a good friend of San Francisco, Alfonso Jackson will assume that post in an acting position. Next, Mr. Fortner announced that both the House of Representatives and the Senate voted to increase the money allocated to the Section 8 program by $900 million to $1.3 billion amid speculations of a lack of funding. Mr. Fortner stated that this is good news. Commissioner Clark asked if that means that the government plans to increase the number of vouchers. Mr. Fortner answered no. The issue in question was whether there was enough money available to support the existing vouchers and now there is enough money to cover the next fiscal year. In conclusion, Mr. Fortner reiterated the announcement that the Regional Claims Manager from HARRG would be present at the January 8, 2004 Commission meeting to talk about insurance coverage, premium calculations and any other questions the Commission may have. Not only will a general presentation will be made, but the insurance carrier might be brought into closed session to address any pending claims the Commission may have questions about.

Commissioner Woodruff asked if the date on the Commission Request Log should read "1/08/04" versus "1/08/03." Mr. Fortner answered yes. Commissioner Palega stated that an update of the Resident Elections was requested and he didn't see it on the log. If the elections had taken place, Commissioner Palega requested a list of the new officers.

Commissioner Clark asked if it were possible to have an independent insurance specialist present at the January 8th meeting to assist the Commission in dealing with the representative from HARRG. Mr. Fortner answered that it was possible, but it would cost between $7,500 and $15,000. Furthermore, the duties that the Commission wants the specialist to perform are the same as the SFHA insurance brokers who do it for free. Commissioner Clark stated that he respectfully disagrees and contended that the representative from HARRG has a special interest. He suggested an independent audit to ensure that the SFHA is getting the most for the same money from HARRG. Commissioner Clark stated that he understood that it would be expensive to do so, but the SFHA has been underinsured and it cost the agency far more than that. Commissioner Palega added that staff should investigate the possibility of HUD having a representative that could provide insurance information as well as how other metropolitan agencies are handling their insurance issues. Mr. Fortner commented that it was a good idea and staff would find out if the local HUD office has that resource, if not staff would possibly procure to bring someone in for a day.

Commissioner Clark commented that having Alfonso Jackson as the national HUD Secretary is a good opportunity for the SFHA to get in good with HUD and urged Mr. Fortner to cultivate that relationship. Commissioner Clark also asked for an update of the request for proposals of the development opportunities. Mr. Fortner answered that the request for qualifications actually hit a political snag during the first part of the mayoral elections. At this point, an assessment is being performed to bring together a diversified panel to discover what is a feasible proposal. After this, the Commission will be updated of the progress made and resident input would be solicited. Mr. Fortner explained that at the special hearing called by Supervisor Maxwell, no current public housing residents were present so more explaining was done about the RFQ as well as input of public housing residents. Commissioner Clark asked if that is what led to organizing the panel assessment. Mr. Fortner stated that this was always the plan and was not a result of the political dynamics that came about. Commissioner Clark asked who was on the panel. Mr. Fortner answered that members of the Redevelopment Agency, financial consultant firms, the City Attorney's Office would be included. As many objective eyes as possible will be requested to look at the RFQ so a thorough assessment could be done. Specific names have yet to be chosen. Commissioner Clark offered his name for the panel selection. Mr. Fortner stated that a legal opinion would be generated to determine whether a Commissioner could serve on the panel. Commissioner Palega stated that he would like to see the list of individuals to serve on the panel prior to it being finalized. Vice President Brown inquired if the Commissioners could not serve on the panel could they be observers. Mr. Fortner stated that more than likely there would not be a conflict in observing, but a legal opinion would be done concerning the matter. Mr. Fortner assured the Commission that any decisions would come before the Finance Committee prior to the full Commission. Mr. Fortner suggested forming an ad hoc committee to oversee the process.

Commissioner Woodruff asked what the time frame was. Mr. Fortner answered that there were no time constrictions. It depended on the scope of the project and the public process.

Commissioner Palega requested a copy of the RFQ. He also stated that the Commissioners could always participate as an observer because as citizens they have that right. Mr. Fortner qualified that with an exception to the procurement process and restated that it would be investigated. Commissioner Palega clarified that he was referring to the question and answer period of the panel.

President Lee restated the idea to develop an ad hoc committee to oversee this process

6. COMMITTEE REPORTS

Diversity Committee
No report.

Finance Committee
Commissioner Clark reported that on November 18, 2003 the Finance Committee had a well informed meeting on the finances of the agency. Helpful documents were provided to assist the Commissioners in understanding the numbers before them. Commissioner Clark stated that he appreciated the less formal atmosphere of the committee meeting which allowed more time for questions and understanding. The projected numbers, year-end numbers, and percentage differences, if any, were discussed. The agency ended the last fiscal year with a small surplus. Commissioner Clark stated that he and Vice President Brown encouraged staff to try to increase the surplus by filling the vacant units and doing everything possible to trim costs and improve the financial picture.

Commissioner Palega asked what was the status of the units that had recently been broken into and occupied by the homeless. Mr. Fortner answered that the Agency had learned of the plot for this media event prior to it occurring. He commended Jim Williams and Lavelle Shaw for giving up their Thanksgiving morning to monitor the unit and the Homeless Coalition was unsuccessful in entering that unit, but then went to Hunter's View instead. A representative from the Homeless Coalition stated that negotiations were to be made the next day with the Housing Authority and Mr. Fortner said that he returned to San Francisco to make sure that the media understood that the SFHA does not negotiate with individuals who break into SFHA property. The people who entered the unit were taken out by the police and told not to come back. They were detained between 3-4 hours. Mr. Fortner stated that there is no agreement with the Homeless Coalition. Everyone who desires public housing must get on the list.

Vice President Brown stated that he was glad an effort was being made to occupy the vacant units because it negatively affects the budget. Furthermore, it was a very positive meeting and the numbers show that the Agency was not being run as effectively in the past as it is now. It seemed that the Agency is moving in the right direction.

Commissioner Woodruff requested a copy of the Finance Committee report. Mr. Fortner stated that all of the Commissioners would be given a copy.

Personnel Committee
No report.

7. REPORT OF AGENCY COUNSEL

Agency Counsel Donna Martin stated that the items noticed on the agenda were to be discussed during the Closed Session. The cases to be discussed are the Walker vs. SFHA, Evans vs. SFHA, USA vs. SFHA, pending litigation, and a case whose name is unspecified to avoid jeopardizing settlement negotiations. Commissioner Clark requested that all of the cases be listed for the January 8, 2003 closed session.

8. TENANT REPRESENTATIVE REPORT

City Wide Council - Senior/Disabled

President William Vitale stated that on the following Tuesday, their 35th Annual Volunteer Recognition Luncheon would be held. Everyone was invited. Elections for officers would be held on January 12, 2004. Mr. Vitale also stated that they had an incredible seminar on parliamentary procedure from the California Parliamentary Institute and encouraged the SFHA to get in touch with them for a clear and precise presentation on Robert's Rules of Order.

Public Housing Tenants Association (PHTA)

No representative was present.

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

There were no public comments on the agenda items.

11. NEW BUSINESS

President Lee announced that due to the initial amendment to the agenda, Unfinished Business would be heard after the New Business. Commissioner Brown was excused from the meeting.

Resolution No. 5134

(A) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A TWO-YEAR CONTRACT WITH HESSELBERG, KEESEE & ASSOCIATES, INC. TO PROVIDE ELEVATOR CONSULTANT SERVICES ON AN AS-NEEDED, TASK ASSIGNMENT BASIS FOR ALL DEVELOPMENTS IN A TOTAL AMOUNT NOT-TO-EXCEED $150,000

Steve Haines, Construction Service Manager, presented the resolution. Mr. Haines stated that the contractor was the highest ranking firm based on the RFQ process. There are 51 elevators at 31 developments and the SFHA does not have the necessary technical staff to provide the necessary improvements to the elevators. This contract will provide that expertise for the next 2 years. Mr. Haines then reviewed the tasks the contractor would perform and the RFQ process. Five firms expressed an interest, but only two responded

with their statement of qualifications by the October 20, 2003 due date. The Hessellberg Keesee firm is in San Francisco, has been around about 40 years and each of the five technical employees has about 20 years of experience in elevator work. The senior staff has about 30 years each. Mr. Haines listed numerous entities that the firm had done business with. The other competing firm was a national firm whose local employees also had about 20 years of experience each.

Commissioner Clark asked if the panel members were on the staff. Mr. Haines answered yes. Commissioner Clark asked if the firm would be consulting or performing the work. Mr. Haines answered that they would be consulting. A number of elevators require bid documents, specifications and drawings so public bids can be obtained for the modernization needs.

Commissioner Palega asked why someone from outside was not asked to sit in on the reviewing panel if the staff doesn't have the technical expertise to perform this work. Commissioner Palega stated that he has heard numerous complaints about elevators failing to work and it seemed to only make sense that an elevator service company would be included on the panel if SFHA staff doesn't have the expertise necessary to make a coherent assessment. Mr. Fortner stated that the discussion was about two different things. The selected firm would only consult as to how to modernize the elevators, not actually perform the work. Commissioner Palega stated that he was quite clear that this was not the repairing team, but they would be the ones to compose the questions to those who would perform the repairs. Mr. Fortner asked Commissioner Palega if he was suggesting that firms who would be competing for the bid be included in the selection process for the SFHA consulting firm. Commissioner Palega answered no, but experts in the field should be utilized. Commissioner Palega suggested that the elevator union should have been contacted to sit on the panel. Mr. Fortner stated that this contract provides the expertise to get the best repairs for the best price, and suggested that the SFHA have the expertise to choose a consultant to provide the expert advice to obtain the elevator contract. Mr. Fortner explained that the elevator contracts in the past were to repair elevators, but this contract is for consulting to modernize the elevators.

Mr. Haines continued in his report that panel determined that Hessellberg Keesee was the top rated firm based on their references, and demonstrated that they were willing to work with the SFHA. Commissioner Clark asked how much it costs to retain the firm. Mr. Haines replied that the contract was for $150,000 on a task assignment basis. Commissioner Clark asked if it was less expensive to perform the work this way. Mr. Haines answered that costs were significantly higher by doing it on a one at a time basis versus an Authority wide procurement.

Commissioner Smith inquired about the previous work this company had performed for the SFHA. Mr. Haines stated that they did reports, evaluations and made recommendations on modernizing and repairing certain elevators. Now, the SFHA would

like them to prepare the construction drawings and bid documents so contractors can bid on the work.

President Lee asked what the annual cost is to repair he elevators. Alex Chanco answered that last year repairs totaled $205,000.

Commissioner Palega asked Mr. Haines to specify the difference in cost of performing the work development by development and how long ago it took place. Mr. Fortner stated that the numbers could be provided, but if we went by each development, a separate procurement would have to be done for each. Mr. Haines stated that individual site costs were $2,500 and up. The costs negotiated under this contract were $1,000 per site and for developments with a single elevator it will be less than $500 a site. Commissioner Palega asked if all elevators would be modernized. Mr. Haines responded that all elevators would be assessed and the highest priorities would be serviced first. Currently, Ping Yuen North, both Clementina Towers, and Turk Street have the most service calls and are the highest priorities. All others will rank after those. In response to Commissioner Palega's next question, Mr. Haines reassured that the most updated priority list would be used after the professional assessment was performed. Commissioner Palega asked when the last elevators were modernized. Barbara Smith answered that it was at least 8 years ago and only applied to about 5 or 6 buildings. None of those on the high priority list were included in the last modernization.

Mr. Haines said that new fire codes must also be applied to modernize the elevators Commissioner Palega stated that all of the elevators must be installed Mr Fortner stated that the code of the year that the elevator was installed is what the SFHA is bound to uphold. Mr. Haines stated that the work is relatively inexpensive to upgrade, but it must be assessed and the bid process begun. Commissioner Palega encouraged the staff to modernize all of the elevators at the sites for the safety of the residents.

Commissioner Woodruff moved to approve Resolution No. 5134 Commissioner Gans seconded the motion. The motion to approve Resolution No 5134 was passed by a majority vote. Commissioner Palega opposed.

12. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

Melindra LeBlanc, a resident custodian at 1880 Pine Street complained that Ignatius Leonor informed her that she would have to move, two weeks after she moved into her place because someone wanted a bigger apartment. Ms. LeBlanc told her that it was a union issue. Ms. LeBlanc distributed information of the current situation to the Commissioners.

13. COMMISSIONER COMMENTS AND REPORTS

Commissioner Palega asked the specifics of the situation. Mr. Fortner stated that this is an operations issue and it would be dealt with accordingly. It would be improper to discuss it in open session. Commissioner Palega asked if it could be listed in the closed session. In response, Mr. Fortner stated that personnel issues were not usually listed for closed session but a legal opinion on the matter would be provided.

President Lee stated that she was looking forward to the new leadership in the city. She stated that the Housing Authority is a thankless job, but under the leadership of Mr. Fortner the SFHA has been in the news far less, and that is a good thing. President Lee wished everyone a merry Christmas and a Happy New Year.

14. CLOSED SESSION

President Lee announced that the Commission had concluded its public business and would go into closed session. A Closed session was scheduled with the Executive Director and Agency Counsel under Government Code Section 54956.9 (b)(1) to discuss pending litigation under Government Code Section 54956.9(a) (Walker vs. SFHA, Evans vs. SFHA and USA vs. SFHA; case name unspecified to avoid jeopardizing existing settlement negotiations). The Commission went into closed session at 5:47 p.m.

15. RECONVENING OF COMMISSION MEETING

The Commission reconvened at 7:34 p.m. Ms. Martin announced that the Commissioners were updated regarding the pending cases noticed on the agenda. Present were President Lee, Vice President Brown and Commissioners Smith, Gans, Clark and Woodruff. Commissioner Palega left after the first hour. The Commission agreed to meet early next week to further discuss the cases. President Lee stated that the meeting would be held next Monday at 5:00 p.m.

16. ADJOURNMENT

Being no further business to come before the Commission, Vice President Brown moved to adjourn the meeting and Commissioner Gans seconded the motion. President Lee adjourned the regularly scheduled meeting of December 11, 2003 at 7:35 p.m.

Gregg Fortner, Secretary/Executive Director

Julie Lee, President

SAN FRANCISCO HOUSING AUTHORITY
440 Turk Street • San Francisco CA • 94102 • (415) 554-1200

NOTICE

A SPECIAL MEETING OF THE
SAN FRANCISCO HOUSING AUTHORITY COMMISSION
WILL BE HELD ON **MONDAY, DECEMBER 15, 2003 AT 5:00 P.M.**
AT 440 TURK STREET, SAN FRANCISCO, CALIFORNIA, 94102

AGENDA
December 15, 2003

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1. ROLL CALL

Julie Lee, President
George R. Brown, Vice President
Sululagi Palega, Sr., Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

2. APPROVAL OF AGENDA

3. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment the public will have the opportunity to comment on items not on the agenda.*

4. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

5. CLOSED SESSION

A Closed session is scheduled with the Executive Director and Agency Counsel under Government Code Section 54956.9 (b)(1) to discuss pending litigation under Government Code Section 54956.9(a) (Walker vs. SFHA, Evans vs. SFHA and USA vs. SFHA).

6. RECONVENING OF COMMISSION MEETING

7. ADJOURNMENT

GREGG FORTNER, Secretary/Executive Director

HOUSING AUTHORITY
OF THE
CITY AND COUNTY OF SAN FRANCISCO

Minutes of Special Meeting
Monday, December 15, 2003

440 Turk Street
San Francisco, California

The Housing Authority of the City and County of San Francisco met in a specially scheduled meeting at 440 Turk Street, San Francisco, California on Monday, December 15, 2003, at 5:00 p.m.

Vice President Brown called the meeting to order at 5:07 p.m.

1. ROLL CALL

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Roll call found the following members to be:

PRESENT: *George R. Brown, Vice President*
Betty J. Smith, Commissioner
Andrew Clark, Commissioner
Neola Gans, Commissioner
Rev. George Woodruff, Commissioner

ABSENT: *Julie Lee, President (excused)*
Sululagi Palega, Sr., Commissioner (excused)

A quorum was present.

ALSO PRESENT: *Mr. Gregg Fortner, Executive Director*
Ms. Donna Martin, Agency Counsel

2. APPROVAL OF AGENDA

Commissioner Smith moved to approve the agenda. Commissioner Gans seconded the motion. Commissioner Clark asked if the order of the cases listed in closed session makes a difference. Mr. Fortner answered no. The motion to approve the agenda was unanimously passed.

3. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

There were no public comments on the agenda items.

4. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

There were no public comments on items not on the agenda.

14. CLOSED SESSION

Vice President Brown announced that the Commission would go into closed session. A Closed session was scheduled with the Executive Director and Agency Counsel under Government Code Section 54956.9 (b)(1) to discuss pending litigation under Government Code Section 54956.9(a) (Walker vs. SFHA, Evans vs. SFHA and USA vs. SFHA; case name unspecified to avoid jeopardizing existing settlement negotiations). The Commission went into closed session at 5:08 p.m.

15. RECONVENING OF COMMISSION MEETING

The Commission reconvened at 7:10 p.m. Ms. Martin announced that the Commissioners were updated regarding the Walker litigation. The Commission reviewed a draft settlement agreement in the Department of Justice case. After reviewing and counsel explaining some of the terms of agreement, the Commission gave approval to legal counsel to settle the pending litigation. The vote was unanimous to approve the draft consent decree. Present in closed session were Vice President Brown, and Commissioners Clark, Smith, Gans, and Woodruff.

Commissioner Clark moved that after the settlement is executed, the Executive Director report once every six months on the status of compliance with the settlement. Commissioner Smith seconded the motion. The motion was unanimously passed.

Commissioner Clark moved that after the settlement is executed, the Executive Director report once every six months on the statistics of the Office of Fair Housing. Commissioner Woodruff seconded the motion. The motion was unanimously passed.

16. ADJOURNMENT

Being no further business to come before the Commission, Commissioner Clark moved to adjourn the meeting and Commissioner Woodruff seconded the motion. Vice President Brown adjourned the specially scheduled meeting of December 15, 2003 at 7:13 p.m.

Gregg Fortner, Secretary/Executive Director

George R. Brown, Vice President